BANKING & BUSINESS EDITOR H. PARKER WILLIS — EDITOR RICHARD D. WYCKOFF — MANAGING EDITOR E. D. KING

The Outlook

Vol. 31 No. 8 — February 17, 1923

A Great International Achievement—The Railroad Problem—Can Huge Total of New Bonds Be Absorbed?—The Market Prospect

IN definitely settling the terms of the British-American debt adjustment, an important international achievement has undoubtedly been recorded. Far more important than the financial aspects of the transaction are those which grow out of the better development of relations between the two countries and the prospects for a permanent stabilizing of business and commercial intercourse between them. There can be little doubt that many of the European countries have more or less sincerely regarded the United States as a nation which was disposed to try to extract the last dollar from its debtors—one with which it was impossible to settle upon satisfactory terms, because of this extreme development of selfishness. The settlement with Great Britain is not a brilliant piece of generosity on our part, and there should be no attempt to represent it as such; nevertheless it shows a disposition to make concessions and to meet our debtors half way. It is a good thing for us in every sense to have this troublesome problem disposed of.

An analysis of the terms of the debt settlement seems to show that the concessions which we make to Great Britain are likely to amount from about $800,000,000 to $1,000,000,000. For the first ten years, the rate of interest which we shall receive is 3%, and this must be regarded as from 1½ to 1¾% below the rate at which the Government can today borrow upon a taxable basis. To put the matter in another way, if our Government were today to borrow $4,800,000,000 and lend it to Great Britain it could hardly hope to carry through any such transaction at a rate of interest (subject to tax) lower than 4¾%. So during the first ten years we make an annual rebate to Great Britain of something like $80,000,000. If this be multiplied by ten and compound interest added, it will be plain that we have given Great Britain something like a reduction of 20% on the face amount of her indebtedness to us. In these circumstances we can hardly be regarded as Shylocks even though our generosity in the matter has its very decided limitations.

Great Britain was wise to ratify the proposal. It gives her a long period of years in which to settle with the United States. A term of fifty-two years is proposed; and during that time it may be expected that if world affairs go well, rates of interest will be materially lessened. If Great Britain should be able to borrow at a better rate than we are giving her, she can always do so, and can reduce the amount of her obligation to the United States proportionately. This country, on the other hand, can always use to good advantage any sums that Great Britain may turn in, in retiring outstanding obligations. It is a great indirect advantage for us that we have made a settlement with our largest debtor, and have made it without cancellation of the principal. The fact ought to help us greatly in making adjustments with other countries. Not the least satisfactory element in the whole transaction is the fact that the plan as worked out seems to preclude the diversion of the proceeds into bonus channels. President Harding has already declared that he will not consider with any favor the renewed schemes of bonus advocates.

Meantime there has sprung up in Congress a mean and prejudiced effort to make political capital out of the situation and to

try to injure the prospects of ratification of the plan agreed upon by the negotiators. This is very deeply to be regretted. There should be no hesitation in ratifying the new terms as early as possible. Least of all should there be any disposition to make partisan political capital of them. The situation is one in which much of the satisfaction of getting the settlement effected would be lost if the transaction should be marred by considerations of international prejudice or political advantage from a domestic standpoint. Promptness and generosity in taking the necessary steps are thus of the essence of success. President Harding should have the United consent of the whole country in demanding from Congress an early and unrestricted approval of his proposal. It stands out as one of the creditable things of his Administration and he is entitled to have it so regarded.

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GREAT ISSUES OF NEW BONDS

CAN the great issues of securities which are now being poured forth upon this market be successfully digested? The question is very properly asked when we contemplate the enormous offerings of January and remember that during the year 1922, flotations were $3,423,948,000, an increase of $789,000,000 over 1921.

There are undoubtedly very great quantities of bonds being carried not only by bond dealers but also by banks throughout the country, many observers believing that there are more holdings of this kind than has been true at any time since the close of the war. Certainly it is difficult to expect the market to absorb such enormous offerings, and to put them immediately into the strong boxes of individual investors.

If the total of bonds in the hands of the banks is less than 12 billion to 14 billion dollars, the state of things is much more conservative than most persons believe. It is easy to see why these enormous issues have been put out, when we remember that the country at large has an unquestionably intense need for working capital. Such working capital has been provided only to a limited extent since the close of the war. The time has doubtless come when much floating debt ought to be converted into bonds and when provision should be made for new capital requirements upon an adequate basis. This fact lies at the bottom of the offerings that have been made in many branches of the security market and warrants the attempt to get funds from the public. It is doubtful, however, whether much is gained by pushing out securities at a rate faster than that at which the public is able to take them up and to relieve the market.

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UNNECESSARY LEGISLATION

CONGRESS, which so often fails to act upon questions that demand early attention, is showing a disposition to do a good many things that it would better leave undone. Among them now is the enactment of so-called rural credit legislation which has passed the Senate and is apparently assured of a favorable reception in the House of Representatives.

Of the general terms of this legislation we have had more or less to say on former occasions. At this point, it is worth while to add that the form in which the various bills are being passed is not encouraging to those who believe in sound and careful financial legislation, nor is it of a kind that encourages much in the way of confidence for the future. There is still time to modify some of the provisions most open to complaint, in the House of Representatives, although whether such modification will take place there seems greatly to be doubted. Be this as it may, the most interesting thing that has developed itself in the course of discussion is that no such legislation is really needed. Even in the States of the West where the difficulties of farmers have been most unquestionable, the past few months have seen decided liquidation at banks and great improvement of the conditions of borrowers.

There seems little reason to question the view that a main source of trouble has been found in the overplus or surplus of credit rather than in the fact that it was lacking. Indeed, there can be no question in most respects that the farmer has had quite all that he needed in the way of accommodation, although it has not always taken a form that was well adapted to his requirements. This makes the outlook for the success of the new legislation unsatisfactory.

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STIFFENING THE TAX LAW

IT now seems likely that the so-called tax leak bills which Secretary Mellon had advocated will go through Congress. The one which has been most earnestly pressed is that which forbids an exchange of security of similar character for the purpose of avoiding taxation which might be incurred if a sale for cash were made and a new purchase undertaken with the proceeds. Undoubtedly there has been some abuse of the provisions of existing law, but it is open to doubt whether such abuse

has been of a nature to warrant withdrawal of provisions which were manifestly intended to correct injustice that existed under the older practice.

If injustice be unavoidable why should the injustice we reform be always injustice to the taxpayer and never to the Government? Certainly no one could deny that existing arrangements are full of injustice from the standpoint of the individual income tax payer, and that the provisions relating to securities are particularly severe and unfair. In these circumstances, what is really needed is a careful and thorough survey of the entire existing tax practice of the Government, in order that, if possible, there may be a general rectification which would be fair to both parties and would make it possible for present evils to be reduced to a minimum, if not eradicated.

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SOME CORPORATE LESSONS

NO investor can do otherwise than stop and consider with serious earnestness the recent reports of the Bethlehem Steel Co. and of the United States Steel Corporation. The deficits which are revealed may be temporary and probably are so. They, therefore, are nothing more than an incident in the larger significance of the situation itself. This situation is revealed by the fact that, as stated, both concerns are working to a large percentage of capacity, and have abundant orders. Yet they are not able to make the earnings they should, because of the maladjustment of wages which has occurred, and which tends to prevent legitimate profits.

The truth is that while no one objects to the payment of the maximum possible wages to workmen, the question at stake is not the giving of such wages, but is simply whether the investor shall be deprived of all genuine return on his funds and whether other workers, who use products in which steel and iron figure, shall have to pay for such products more than they are relatively worth. Both considerations are important, but of the two perhaps the latter is the one which touches most members of the community the more nearly.

It is certainly to be earnestly desired that there should be some effective and equitable realignment of wages that will permit our corporations, engaged in turning out staple products, to get back to a normal condition of business. If that cannot be accomplished the further investment of capital in such enterprises is hardly to be expected, and the outcome will be simply the gradual reduction of output with, of course, accompanying higher prices.

THE TRANSPORTATION PROBLEM

AN early adjournment of Congress, which now seems assured, with little or no chance of a return to Washington before the date for the opening of the regular session in December next, will be a great relief to fearful business men who have dreaded the continuous tinkering with economic conditions that for a long time past has been going on. Nowhere, however, will there be greater satisfaction than among the railways. They have thought it likely that the improving condition of some of the roads, coupled with the continued dissatisfaction of the farmer as regards conditions in his industry, would probably bring about drastic amendment of the measure. That the present law is far from perfect most persons would readily admit. Amendments of various different kinds are needed. That, however, is not a fact that should warrant the adoption of undesirable or dangerous changes calculated to impair the whole mechanism of the legislation.

Like taxation, transportation laws need the most detailed and scientific study that can be given them, and are not likely to be effectively dealt with on the floor of any legislative body. Our whole railway policy is open for discussion, but it must be a discussion based upon equity and justice and designed not to support any given theory, but to bring about a condition in which the development of mileage is assured; so far as the making of satisfactory investment conditions will ensure that end by bringing in new capital from outside the industry.

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MARKET PROSPECT

IN our issue which reached subscribers about February 1st, we stated that the market was ready for another step forward. Since that time the average price of fifty stocks has advanced from 86 to over 90. We believe that this marked the beginning of another important upward movement, the purpose of which is to discount the promising business outlook for the first half of this year. While it is impossible to forecast at this time the extent of the rise, we judge from the amount of preparation the market has undergone since the November-December decline, that it will be sufficient to warrant bullish confidence for a considerable time. Special attention is called to the railroad stocks which, on the basis of the past twenty-five years' averages, are now selling at approximately panic levels of 1903 and 1907, as per graph presented on another page. In a broad way, therefore, this means that the rails, as a group, are nearer to the bargain counter than any other.

February 10, 1923.

¶ Will British Debt Settlement Help or Hinder Commerce?
¶ Are Conditions in Europe Improving?
¶ Can America Get Along Without Europe?
¶ Has Our Budget System Been Worth While?
¶ Can American Tax Rates Be Reduced?

Where America Stands Today

Some Straightout Remarks on Things Fiscal as They Exist Today

By Hon. REED SMOOT

As Interviewed by Theodore M. Knappen

"THE refunding of the debt of the British government to the United States will have a more favorable effect on the commerce of the world than all the international economic conferences that could be held in the next hundred years," said Senator Smoot, after we had begun to talk of a number of things that might be discussed in a miscellaneous interview on financial topics with a governmental aspect.

"What makes you think so?" I asked.

"The world's realization that the two great English-speaking nations, which between them come pretty near to controlling the bases of wealth and commerce as well as the instrumentalities thereof, have adjusted amicably and finally the greatest single international debt, will have a very calming and reassuring effect. A contentious subject of colossal proportions has been disposed of and laid away. (Of course, I am asuming that Congress will approve the conclusions of the refunding commissions.) Uncertainty has given place to certainty, and a precedent both as to terms and interest has been established for refunding operations and the adjustments of national debts of one kind and another everywhere. The refunding agreement will tend to lower interest rates universally. An impressive demonstration has been given to the world that there is still in it both a spirit of fair and considerate dealing and of financial responsibility that does not quail before a debt, however large, if the period of payment is made endurable. Nations and men everywhere will be prompted to emulate the British and achieve the impossible."

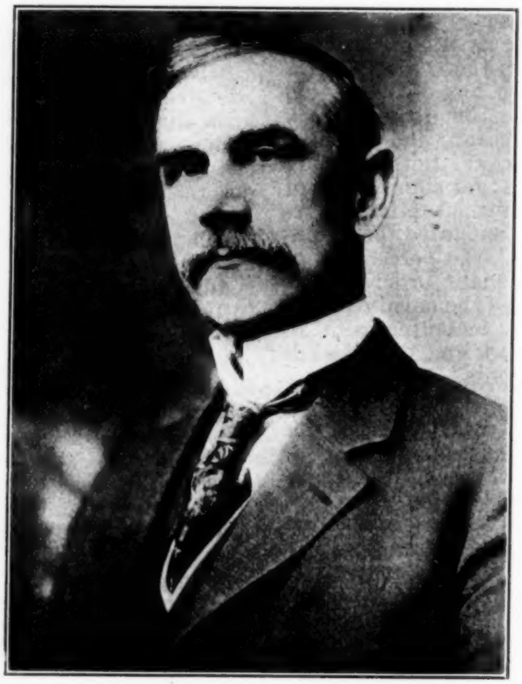
"Otherwise, how does the international situation at the moment impress you?" was the next question that occurred to me.

"It is very dark," the Senator answered. "If they had money or credit in Europe another big war of little nations would be going on now."

"If Europe continues to go from bad to worse and becomes an economic void, is there no hope of a tolerable condition of industry and commerce in this country?"

Our Business Prospects and Europe

"England and the British Empire at least are not going to pieces. Conditions will improve there. If they do not, we may take it for granted that we shall have to look to our own safety. But as a question of business, not mixed up with international politics and wars and revolutions, we can get along endurably well in this country even if Europe is to be counted out of the world trade circle. Isn't our domestic trade something like 92 per cent of the whole now? If we have to convert some of the remaining 8 per cent into domestic commerce also it will not ruin us, though it would be an inconvenience to some, if not all of our people, and a great hardship to many. There would obviously be some offsetting benefits from producing and buying at home some of the things now produced and bought abroad. And, of course, Europe is not the whole world beyond our frontiers."



U. S. SENATOR REED SMOOT (UTAH)

Who holds that "the refunding of the debt of the British Government to the United States will have a more favorable effect on the commerce of the world than all the international conferences that could be held in the next hundred years!"

"What do you think about present fashions in stock dividends?" I asked by way of an abrupt change in subjects.

"There is nothing essentially wrong about them. Much of the propaganda that is being put out against them assumes that they represent profits of a single year. A stock dividend adds nothing to a shareholder's assets; it merely puts in documentary form what already exists. The rush to declare stock dividends now is due to the fear that Congress will enact legislation that will tax past accumulated and undistributed earnings. It is in no sense an evasion of law. In fact it might not be a bad thing to have a law compelling corporations to build up reserves from earnings. I believe that 75 per cent of business failures can be traced to taking all or too much of the profits out of the business. Take that woolen mill company that was so much talked about—the one that declared a dividend of 3,333 per cent. The facts show that, starting with almost nothing, a million dollar business had been built up by keeping the profits in the business instead of paying them out to the individual owners, through a long period of years.

"A stock dividend is simply a belated realization. Twenty years ago the Robert Dollar Steamship Company, of San Francisco, started with a nominal capital of $50,000. Twenty years earnings' accumulations have made it a ten million-dollar business. When the capital stock was increased correspondingly a short time ago a dividend of 9,900 per cent was declared. That dividend did nothing but definitively distribute in paper form what might have been taken out in cash year by year, if

"A Covenant of Peace and Recuperation, of Respect and Cooperation!"
—President Harding

In his message to Congress urging immediate acceptance of the recommendations of the American Debt Funding Commission, President Harding had this to say:

"It cannot be unseemly to say it, and it is too important to be omitted, the failure of the British undertaking would have spread political and economic discouragement throughout the world and general repudiation would have likely followed in its wake. But here is kept faith—willingly kept, let it be recorded—and a covenant of peace no less effective than it would be if joint British and American opposition to war were expressly agreed upon. It is a covenant of peace and recuperation, of respect and cooperation. It is a new element of financial and economic stabilization, when the world is sadly needing a reminder of the ways of peace. It is an example of encouragement and inspiration, when the world is staggering in discouragement and bowed with the sorrows of wars that were and fears of wars which humanity is praying may be avoided."

the owners had not chosen to build up the business instead. Or they might have increased the capital stock from year to year and had annual stock dividends instead of waiting until now.

"Of course, a corporation might deliberately set out to evade surtax payments by its members by accumulating profits beyond the needs of the business; a corporation might be formed for a like purpose, or a man might form one to build up an estate. That, however, is another matter, and Sec. 220 of the 1921 revenue act is designed to prevent such schemes; it provides that surtax-evading corporations shall pay an additional tax of 25 per cent of their net profits, but it is left to the Commissioner of Internal Revenue to determine whether accumulations are bona fide or not. It would be better to have a tax definitely fixed on all accumulations above a certain percentage. The stock dividends which are causing so much discussion relate to the accumulated earnings of prior years, and so are not affected by the 1921 law.

Sales Tax as Alternative

"We have a lot to learn about taxation in this country. We didn't know what taxation was before the war; the burden was so light that we didn't concern ourselves much about it. A taxation system based on what the people spend rather than on what they earn would be more equitable—at least as a partial substitute for the income tax. A sales tax would be vastly simpler and less vaxatious and puzzling than an income tax. If the rate were small, it would not be difficult to pass it on to the consumer and it would come out of distributing profits, which are much too large on the whole. We are coming to a time when the distribution of goods must be regulated in some way."

"What about tax-exempt securities in relation to the general taxation problem?" was the next chance question.

"They are a national scandal. They operate to shift the burden of taxation from the shoulders of the wealthy and from income on property to income from labor and enterprise. Also they dry up the sources of revenue. When a man gets to receiving an income of $50,000 a year, he naturally begins to be a legal tax evader. Also, tax exemption has created such an insatiable demand for such securities that all sorts of governmental agencies have piled up billions of unjustifiable public debts at a time when war costs had imposed unavoidable burdens of stupendous size. That is one reason why our total per capita tax in this country, for all purposes, is now about $90 a year."

Will Taxes Be Reduced?

"Now that we are to get something like $150,000,000 a year from Britain on war debt account, will we reduce taxation correspondingly, or will we spend that much more?"

"We ought to be able to reduce taxation, but I fear that the British payments may be diverted to new expenditures; the soldiers' bonus, for instance. It is hard for an extravagant spender to reform. Before the war what was called extravagance was piffling, but since the beginning of the war we have become inveterate spenders; we have to spend so much that we easily pass to spending far too much."

"Do you think the budget system has helped any?"

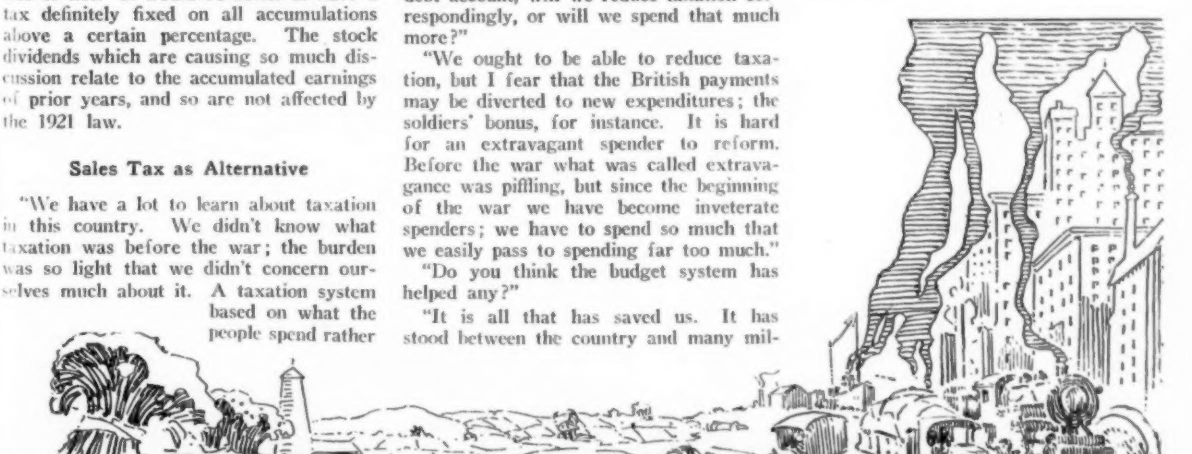
"It is all that has saved us. It has stood between the country and many millions, if not billions, of expenditures. It has been administered admirably."

"Don't you think that the action of the House in overriding the budget and the appropriation committee on the Rivers and Harbors bill is a disquieting sign of neutralization of the budget plan?"

"No. It is the sole important exception to date to the rule of not exceeding the budget estimates. The pork temptation in this instance was too great to be resisted, but there is no other legislation that offers such t mptations to so many individual members of Congress to yield to local pressure instead of obeying the dictates of federal economy. On the whole Congress is animated by a desire to keep appropriations down, and it is recognized that the budget system is necessary to that end. I do not think that there will be a tendency to organize blocs to beat the budget.

"At the best our people must recognize the fact that we are confronted by years of heavy taxation. Several years ago I warned the country that three billions a year was about the minimum of national expenditures. We are getting down to it, but we can hardly expect to get below that figure."

As an executive or director in a number of financial institutions in the State from which he comes, Reed Smoot entered the United States Senate with a wealth of practical experience in "things fiscal." He was elected to the Senate in 1903. During his incumbency, Mr. Smoot concentrated on legislative problems of financial or economic trend, and now, in his fourth Senatorial term, he is recognized as a leading authority on taxation, particularly, besides business legislation in general. A feature of especial interest in Mr. Smoot's remarks, as reproduced by Mr. Knappen above, is his uncompromising denunciation of tax-exemption as practised in this country. It is interesting to contrast his views in this respect with those of the Tax Committee of the New York Chamber of Commerce, which are reflected in an interview with Mr. Clarence H. Kelsey on another page of this issue.



Why I Expect a Boom in Business

Important Factors Which Indicate a Rising Tide of Prosperity in the United States

An Interview With IRVING FISHER

Professor of Political Economy, Yale University

PROFESSOR FISHER is probably the best-known economist in the country and of late years he has become something of a sage to whom many come for information regarding the course of business. No man in the profession is better and more favorably known to the public, which makes it evident beyond question that he is entitled to a most respectful hearing on business topics. For that reason, perhaps, his views command more than ordinary attention and derive a peculiar significance generally associated only with the views of men who hold great power in the business world.

When recently approached by THE MAGAZINE OF WALL STREET on the subject of the business outlook in this country, Professor Fisher made more than an ordinary attempt to avoid any appearance of ambiguity and answered the questions put to him in the most straightforward and uncompromising fashion. For that reason, his answers attain unusual importance. Parenthetically, it may be remarked that it will be interesting to see after the course of a few months just how justified Professor Fisher was in assuming his optimistic attitude on the business outlook.

Is a Boom Coming?

Among the first questions put to Professor Fisher by an editor of this publication was one of probably the greatest interest to business men; to wit: "Do you consider that the present recovery in general business simply marks a reaction from the depression of 1920-1921, or that it is a prelude of a fully sustained boom to continue for a considerable period to come?" The answer to this question came quickly and with directness: *"In my opinion, the increased activity of industry in the United States during the past few months may be seriously regarded as a preparatory stage of considerably increased industrial and business activity in the near future, and it may be considered a significant sign of the development of a boom that should be sustained for a considerable period."*

It is significant that such a view should be held by so eminent an authority, despite the fact that he recognizes that there are other elements in the general situation that are not so favorable. For example, Professor Fisher, in answer to another question put him concerning the effects of the McCumber - Fordney Tariff Act, believes that the ultimate effect of this measure will be to raise the cost of living and improve protected business at the expense of the rest. In other words, in his estimation, the probable effects of the tariff will be unevenly divided, some industries benefiting from the higher duties and others being placed at a disadvantage. Yet it is worth noting that despite this handicap, a boom in general business is predicted.

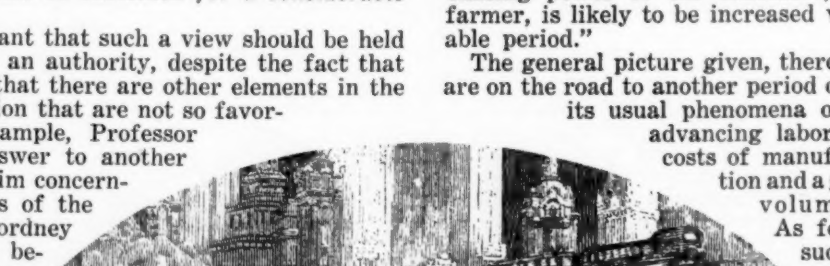
The Outlook for Prices

There were several other points covered by Professor Fisher of equal interest to business men and investors. Probably few questions are so agitating business men as the outlook for prices, since it will be guided to a large extent in its policies by this outlook. For that reason business men will be particularly interested in learning that Professor Fisher holds that there will be a general advance in commodity prices during the coming year. And, indeed, this view seems to gain some added weight, judging by the course of the price of a number of commodities since the beginning of the year which have shown unmistakable signs of edging upward.

Not only does Professor Fisher believe in excellent possibilities for a rise in commodity prices during the coming year, but in response to a question put to him concerning the broad outlook for prices declared that the general outlook favored a higher commodity price level during the next few years. This statement is particularly interesting and significant because it is in direct opposition to the views held by many other authorities who believe that the commodity level in a few years will be much lower than at present.

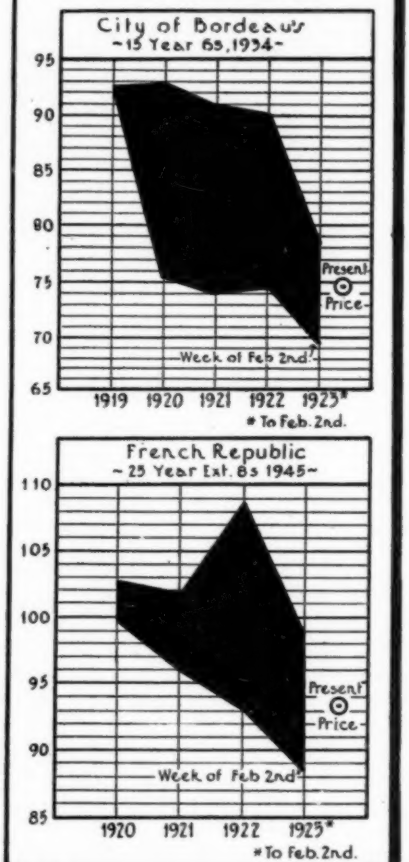
Several other statements concerning business problems made by Professor Fisher are of special interest. For example, in answer to a question on the subject he stated that he does not believe that costs of manufacture will stabilize around current levels, but that, in obedience to the strong economic forces of the present and immediate future, they will tend to advance. The view is also held that, in obedience to the same influences, "the purchasing power of the consumer, principally the farmer, is likely to be increased within a reasonable period."

The general picture given, therefore, is that we are on the road to another period of inflation, with its usual phenomena of rising prices, advancing labor costs, higher costs of manufacturing operation and a generally higher volume of business. As for the effect of such a development on investment values, the reader himself can judge.

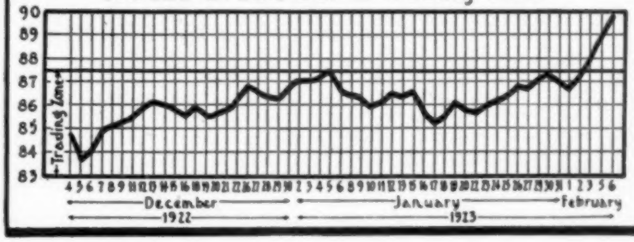


—FEATURES OF CURRENT FINANCE—

FRENCH BONDS REACH —RECORD LOWS—



~Stocks Break Out of Trading Zone~



Terms of British Debt Settlement Announced

~ Containing Following Provisions ~

First Payment on Principal:	$23,000,000
Last " " " (1988):	$175,000,000
Average Yearly " " " :	$ 70,000,000

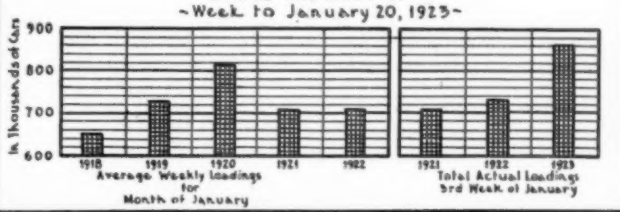
Average Annual Interest on Unpaid Balance

June 15, 1923 - Dec. 15, 1923:	$138,000,000
June 15, 1933 - Final Payment:	$150,000,000

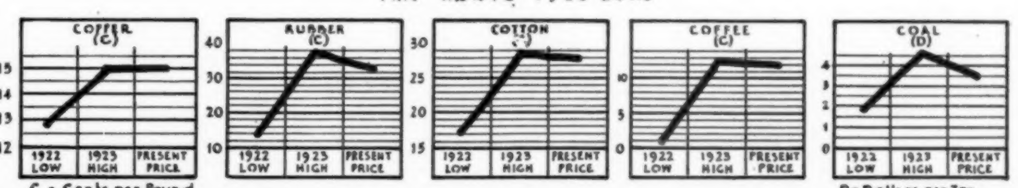
Total British Debt To U.S.
$ 4,600,000,000

Railroad Car Loadings Break All Records

~Week to January 20, 1923~



COMMODITY PRICES HOLD FAR ABOVE 1922 LOWS



~Commercial Failures Near Peak In January 1923~

Total Failures: 2,165 Liabilities $55,454,005.

Is a Big Move Ahead for the Rails?

A Review of Factors Which Have Been Holding Railroad Shares Back and Their Outlook in the Market

By E. D. KING

"WHY," complain querulous holders of railroad shares, "don't the rails move?" as they mournfully figure up the profits they could have had if they had bought industrials instead of quasi moribund railway shares. This is quite a proper question, considering that in comparison with once-upon-a-time rail movements, railway shares have not had a real move in a dog's age. It is true that last year the rails for a time seem as if they lost the habit of sticking to the post and for several months they even became popular vehicles of speculation. But the move didn't last very long. Almost at the first opportunity (last October) the rails lost heart and went down about as fast as they went up. At present levels, they seem to preserve a strict neutrality by holding to a point exactly between the high and low of last year. Which way will the cat jump now?

In order to answer that question definitely, it will be necessary to examine a few of the factors which operated so directly on railway-share quotations last year. In the earlier part of 1922, most of the news about the rails was favorable. They were cutting down on their operating expenses, deflating labor—deflating was a popular word last year—business appeared to have emerged from a rut and was heading upward. The whole rail atmosphere was thus tinged optimistically.

And, in truth, the rails for once did not ignore this seemingly favorable prospect and started an advance that was without parallel for a number of years. They even kept right on advancing through the coal and shopmen's strike, most railway circles scoffing at any possible serious results that might arise from these two gigantic labor disturbances. However, the railway circles guessed wrong and railroad shares stopped advancing. The strikes nearly paralyzed the roads and when the earnings returns started to come in toward the end of the year, it was evident that what had commenced as a favorable year would end as one of the most disappointing in the history of the carriers. When this became apparent to everyone, railway shares lost their popularity and hit the toboggan for a loss of more than half their gain for the entire year.

How Has the Railroad Situation Improved?

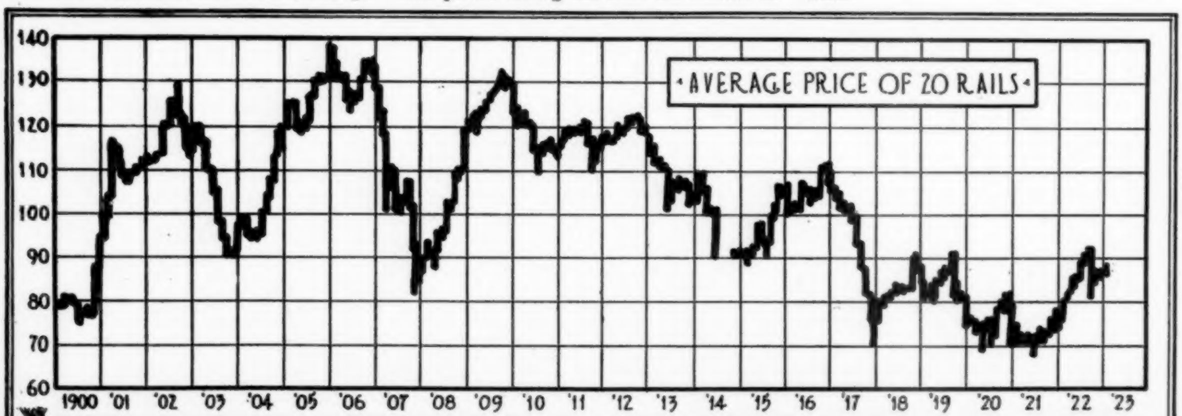
In the past several months, however, the rails have stopped declining and appear to be in a state of balance awaiting developments. What are these developments likely to be?

In the first place, the coal strike is a thing of the past and no strike threatens in this industry at least until April, 1924. The shopmen's strike has already done its damage and has about petered out. Labor seems at least temporarily in a more agreeable mood, and if the railway managements continue in their latest policy of not trying to reduce wages, there probably will be no trouble along these lines for some time to come. This is important because if the rails are in a position where they will not have to fear unfavorable labor action, they will be able to take full advantage of whatever business comes their way. And this business looks as if it is going to be very, very good, judged by car-loading figures the first month this year. These figures indicate that it has been the best January for the rails in several years, better than the January of 1920, 1921 or 1922.

In fact, there are many indications that the carriers face an exceedingly active period during the next six months at least. To mention a few of these indications there are: very active steel conditions, with the industry operating and bound to operate at a fairly high ratio of capacity during the first of the year, a large volume of coal operations speeded up to make up the deficiency caused by last year's strike, increasing volume of merchandise shipments, fairly favorable prospect for automobile and tire industries, and many other favorable indications. These are the bases of railway prosperity. If these indications do not fail, the rails ought to come close to making a traffic record during the first half of the year.

Are the carriers prepared to handle this traffic? At present, this cannot be said to be the case, at least to the extent desired. Certainly there is a sufficiency of bad equipment, most of which is due to years of parsimony and a good deal of it to the shopmen's strike from which some of the carriers have not recovered fully. However, there has been considerable improvement during the past several months and the future seems even more reassuring on this score. The railroads for months past have been busy ordering new equipment on a large scale and they have made some progress with regard to repairing their run-down equipment. Doubtless, unless there should be another strike, the carriers in a few months will be in better physical condition than they have been for a long time.

Heavy purchases of equipment will enable the railroads to handle traffic more efficiently and bring down costs somewhat. As to lower costs, however, aside from those resulting from increased economies of management, there does not apear to be any prospect of the railroads lowering their operating expenditures very considerably. The principal items are labor, taxes, interest on debt, coal and materials, and none of these items appear to contain possibilities toward lower costs.



As stated previously, railway managements seem to have reached the point where they are not so anxious as formerly to get labor costs down for they realize that such action would contain possibilities of resulting in a strike and such things are very costly to all concerned, the railroads more than any. Coal prices are not likely to get down very much and in all probability will be higher on the average than last year. Taxes and interest charges will remain the same or perhaps will be slightly increased in cases where roads are putting out bonds for new equipment, improvements and the like. Thus, very little improvement along the lines of reduction of operating expenses seem in store for the railroads. Their possibility of improvement in earnings consists rather of the heavier volume of traffic which is in sight. In fact, what a heavy volume of traffic will do for the railroads by way of earnings has been demonstrated by last December's reports which indicate very large earnings for a great many carriers both in gross and net. Judging by the volume of traffic in January and that in prospect for ensuing months, it is fair to assume that the carriers will continue for some time to come to make a very respectable showing so far as their earnings are concerned.

In this connection, it is well to point out that even last year, with many unfavorable conditions to compete against such as the coal and shopmens' strikes, many roads earned very large amounts, in some cases sufficient to have justified an increase in the dividend rate, had general conditions been propitious. Below are given a list of a few of the principal carriers that did well last year, together with a record of their approximate earnings for the year:

	appx. earnings per share 1922
Atchison, Top. & Santa Fe.....	$10
Atlantic Coast Line............	16
Cleveland, Cin., Chic. & St. L...	15
Illinois Central	15
Louisville & Nashville.........	16
N. Y., Chic. & St. L...........	15
Toledo, St. L. & Western......	12

Other roads have done nearly as well for example, Pennsylvania with nearly $6 a share on its $50 par stock, Pere Marquette with earnings of over $5 on the common and Chesapeake & Ohio with earnings of over $7 on the common.

Such earnings, of course, are sufficient to justify a higher rate of dividends where dividends are already being paid or the establishment of a dividend rate where no dividends as yet are being paid. It is a fair assumption that if such earnings continue, the basis will be laid for increased dividends by a number of carriers, though it is necessary to consider that such action may be impeded on account of the radical railroad legislation which is pending for the next Congress. This prospect of unfavorable legislation, however, is still some time off and does not affect the present situation very materially.

From the above, it is evident that the fundamentals are shaping themselves in favor of a higher railroad market as it is to be doubted that a great deal of market resistance would be offered to the many signs of railroad improvement, that will soon be apparent. It is a curious thing, however, that while these signs are already present, the American investor has not yet been attracted into the market on a conspicuous scale, although undoubtedly many individuals are quietly buying the best of railroad securities.

There is, however, an influence now current which may ultimately have a decided effect in raising the value of American railway shares of the better class and that is the buying of such securities which is now going on abroad in London and Amsterdam. A sufficient amount of these shares is being taken out of the New York market each day to have some effect on reducing the floating supply. Undoubtedly this withdrawing process, which is due to some extent to the desire of those taking the stock out to avoid tax payments, is in anticipation of a better railroad market.

Comparison of Rails and Industrials

So far as the yield basis of many high-grade railroad stocks are concerned, there is no question that these shares make a favorable comparison with industrials of equal intrinsic merit. Many of these shares can be had to yield 6½% and better which is a very respectable return these days even on common stock issues. A glance at the attached chart will also show that the industrials have done most of the advancing in the stock market and that the railway shares, as a group, have lagged behind. How long they will continue to lag is a matter for the future to decide but it must be apparent that with improvement in the general railroad situation continuing and likely to continue for a number of months and with earnings commencing to pile up, a certain amount of bullish enthusiasm is going to be generated for railway shares. It may even be that the rails will at last come into their own and perhaps for a time being displace the industrials as popular speculative favorites. Certainly, it is true so far as human logic can predict, that there are a good many railway shares of good calibre that are going to sell materially higher before many months pass.

An Echo of the Stock Dividend Spree

What May Have Been the Reason Why 160 Corporations Participated in It

By JAMES W. MAXWELL

TWO months ago, the financial community was inundated under a veritable tidal wave of stock dividends. According to an informal reckoning, over 160 corporations contributed to the deluge. The same commission set the total par value of stock dividends so declared at close to two billions of dollars.

While the movement was under way, interest in the motives behind it was intense. Every publication that made any attempt to keep its readers informed of important financial developments ran a story on the subject. Some of them ran several.

These stories, in practically every case, attacked the subject from one of two angles. Either they ran under the heading, "What Benefit Do Shareholders Obtain from Stock Dividends?" or else, "What Benefits Do Corporations Obtain?"

It was the writer's duty to read many of these analyses. So he obtained from them a fair idea of their composite conclusions. It is interesting to note (1) that the majority of the analyses concluded that stock dividends produced nothing of value for the shareholders; and (2) that their only value to the corporations lay in the influence they exerted toward a wider distribution of the issuing corporation's securities.

And it is doubly, triply interesting to note, in the face of these majority conclusions, that No Stock Dividends Have Been Declared Since the Close of 1922.

Perhaps the stock dividend wave was only for the purpose of facilitating distribution. Perhaps its sole motive was to bring security prices down to a level which would permit the average investor to buy in, and thereby obtain passenger room on the corporation band-wagon.

But, if these things are true, why did the corporations wait until the last few weeks of 1922 before inaugurating the stock dividend spree? And, which is more to the point, why was the spree closed up —locked up and departed from *as soon as 1922 ended?*

It may be a good thing for investors

(*Please turn to page 738*)

A FEW OF THE STOCK DIVIDENDS DECLARED LAST YEAR

	Stock Outstanding Jan. 1, 1922	Stock Dividend (%)	Stock Dividend Par Value
All-American Cables....................	$22,130,500	20	$4,426,100
Atlantic Refining......................	5,000,000	900	45,000,000
Du Pont de Nemours.....................	63,378,300	50	31,689,150
Gulf Oil...............................	36,182,033	200	72,364,066
Magnolia Petroleum.....................	120,000,000	50	60,000,000
Reynolds, R. J.........................	60,000,000	33⅓	20,000,000
Standard Oil of New Jersey.............	98,338,300	400	393,353,200
Studebaker Corporation	60,000,000	25	15,000,000
Yale & Towne Manufacturing.............	4,998,774	100	4,998,774

Total par value of stock dividends disbursed last year approached $200,000,000, and over 160 corporations contributed to that total.

Is Labor Turning Capitalist?

Amazing Growth of Labor-Banking—Looking Back of the Empire Trust Deal—Can They Get Together?

By RALPH RUSHMORE

LABOR'S CHAIN OF BANKS

Location	Name	Controlled or Organized by	Capital Stock	Resources	When Est'd
NOW OPERATING:					
Washington, D. C.	Mt. Vernon Savings Bank	Int. Assn. of Machinists	$160,000	$2,689,182	1920
Cleveland, O.	B. L. E. Co-Op. National Bank	Bro. of Locomotive Engineers	1,000,000	20,000,000	1920
Hammond, Ind	People's Co-Op. State Bank	Bro. of Locomotive Engineers	50,000	250,000	1921
Chicago, Ill.	Amal. Trust & Savings Bank	Amal. Clothing Workers	200,000	1,471,146	1922
Philadelphia, Pa.	Producers & Consumers Bank	Cent'l Labor Union Members	155,831	*	1922
San Bernardino, Cal.	Brotherhood Trust & Savings Bank	Railroad Workers	200,000	770,000	1922
Tucson, Ariz.	Co-Op. Bank & Trust Co.	Labor Groups	70,000	262,000	1922
Birmingham, Ala.	Federated Bank & Trust Co.	State Federation of Labor and Loc. Centrals, Bro. of Locomotive Engineers.	125,000	*	1922
Three Forks, Mont.	First National Bank	Labor Groups	*	*	1922
PROJECTED:					
St. Louis, Mo.	Not Decided	Order of Railway Telegraphers	500,000	......	....
Harrisburg, Pa.	Fraternity Trust Co.	R. R. Bro. and Other Unions	200,000	......	....
Buffalo, N. Y.	Not Decided	Central Labor Union	......	......	....
Cincinnati, O.	Not Decided	Bro. of R.R.&St'mship Clerks	1,000,000	......	....
Spokane, Wash.	Not Decided	R. R. Unions	200,000	......	....
New York City	Federation Trust Co.	Central Trades & Labor Council, N. Y. State Federation of Labor.	1,000,000	......	....
New York City	Not Decided	Bro. Loc. Engineers	......	......	....
Los Angeles, Cal.	*	*	......	......	....
Port Huron, Mich.	*	*	......	......	....
Minneapolis, Minn.	Transp. Bro. National Bank	Railroad Workers	......	......	....
Pittsburgh, Pa.	Bro. Trust & Savings Co.	Labor Leaders	500,000	......	....

* Information not available.

NO financial development in recent months has aroused greater interest or produced more general comment than the recent purchase by the Brotherhood of Locomotive Engineers of a substantial interest in the old Empire Trust Company of New York.

Newspapers have featured the news. Labor leaders and representatives of capital in numerous parts of the country have publicly commented upon it. Special studies of the whole labor-banking movement which led up to this Empire Trust deal have been compiled and published as a result of it.

Not all the commentators, by any means, agree in their interpretations of the step taken. Some hold it to represent merely the adoption of new battle-tactics by labor organizations. Others say they see in it the first move toward a complete amalgamation of the interests of Capital and Labor, and the gradual disappearance of the age-old differences between these two classes.

But, however the reviewers interpret it, they all seem to agree on one point. That is that the movement of which this Empire Trust deal is a phase is of vital, almost infinite importance; and, therefore, by inference, that no business man, investor or representative of any other part of the commercial and financial life of this country today can afford to ignore it.

Certainly if, as some hold, the development foreshadows a new kind of warfare between Capital and Labor, with the latter equipped by reason of its new affiliations with all the additional resources which go with a credit-reservoir and a degree of credit-control, all of us should know and understand this to be so—if only in order that, according to our several needs, we may prepare. If, instead, it foreshadows a gradual communizing of the interests of Capital and Labor—an increasing willingness in both camps to study and comprehend the rights and difficulties of each other—a tendency, however vague, to "get together"—we shall want to know and understand that too.

The old-time antagonisms between Capital and Labor—antagonisms which have resulted in waste running into the thousands of millions of dollars, not to speak of the toll they have taken in human suffering—these compose, assuredly, the greatest domestic problem America faces today. And so, whether labor-banking threatens to aggravate the conflict or assuage existing class differences, it has a direct bearing upon every business organization and every individual investor.

Warren Stone's Work

The movement, of which this Empire Trust deal has been described as "a phase," had its inception many years ago. It started with the cooperative store plan, whose origin has been traced back to the England of the early eighteen-hundreds. It developed gradually here, attaining its greatest growth, apparently, in the last decade. It achieved a momentous success in the establishment and subsequent growth of a cooperative labor bank in the City of Cleveland in 1920. And now, it promises to continue to spread until labor-banking institutions dot the country and, resultantly, until control of a goodly part of the hand-earned capital of the counry resides in the hands of Labor executives.

In nursing the idea along, no single individual, probably, has exerted a greater influence, or done more actual, constructive work than Warren Sanford Stone, now Grand Chief of the Brotherhood of Locomotive Engineers. And if you will read up on his life, you will see how ideally suited, by early environment and training, coupled with later experience, this man has been for the rôle he has played.

Stone came of a family whose circumstances were sufficiently good to permit of his receiving a university training. He was educated at a school called Washington Academy; and he matriculated at Western Univesrity. Thus, although his first job was firing a train on the Rock Island road, and although he spent the early years of his life as an engineer on that system, it was with a mind trained in, and familiar with the possibilities of the social and economic machinery that he eventually rose to be Grand Chief of the engineers' brotherhood.

In his administration of the Brotherhood's affairs, Stone has set himself, in great measure, as a "man apart" among Union leaders. His régime has been notable for its conservative policies—in some eyes, indeed, its *reactionary* policies—and for its independence. But, in astute planning, canny foresight and ability to adapt his platforms to the existing possibilities, Stone has been particularly unique.

It was this latter talent, strengthened by his education, that enabled Stone to recognize the possibilities that lay in cooperative banking; and it was also this talent that made him the ideal man to develop cooperative banking from a hazy dream to a highly successful actuality.

To Fill Two Needs

Stone's decision to enter the cooperative banking field was of no recent making. He is known to have conceived and discussed the project before the World War began. He was determined to supply two needs—real or imaginary, according to your point of view: One, for credit machinery sympathetic to Labor; two, for depositaries sympathetic to Labor. In other words, the chief sought to bring under the control of his organization a certain share of the credit machinery of the country, thus enabling it to utilize

AMALGAMATED TRUST & SAVINGS BANK

CONDENSED STATEMENT OF CONDITION

December 29, 1922

RESOURCES		LIABILITIES		
Loans and discounts	$293,749	Capital stock		$200,000
Overdrafts	26,00[illegible]	Surplus		100,000
Bonds and securities	1,022,247	Undivided profits		1,793
Cash and due from banks	136,495	Deposits:		
Interest earned, not credited	18,028	Savings	$734,129	
Other resources	600	Demand	397,856	
				1,131,985
		Due to banks		33,415
		Reserve for interest		3,150
		Unearned discount		803
Total	$1,471,146	Total		$1,471,146

that machinery *when* and *as* it saw fit; and also to provide a means whereby Labor funds could be safely kept and safely invested but without enriching supposedly unsympathetic groups.

The first cooperative bank organized by Warren Stone and his associates was opened in Cleveland, with a capital of one million dollars and a surplus paid in of ten thousand dollars. Stockholders were limited to members of the brotherhood and its affiliations. Not a single outsider was admitted to the directorate.

There were a number of features common to the organization agreement, personnel and later practices of this bank which, by not too hasty standards, should have assured its failure. One was the absolute inexperience of its organizers. Two was the apparent antipathy of its officials toward the credit system of which it had, to all purposes, become a part. Three was the iconoclastic attitude the organizers assumed in matters of credit-grants. Four was the policy it adopted toward its depositors.

But—like so many projects which have been unanimously declared impossible—this Cleveland bank, far from failing, lived and grew and flourished like the green bay tree. Its resources began to climb at the rate of one million dollars a month. Before people throughout the country had a chance to hear about it and talk about it, almost, it had expanded its scope to a point where it was able to gobble up another savings institution, located in a different section of the city, whose assets exceeded half a million dollars. The bank defied custom, and a certain measure of authority, by inagurating the practice of crediting interest on deposits on a monthly basis; the inevitable outcome was a further startling increase in its deposits. **Today, the "B. L. E. Co-Operative National Bank" is understood to have resources of close to twenty millions of dollars, and its position in the banking system appears to be wel̲l-nigh impregnable.**

Numerous Imitators

The movement inaugurated by Stone and his associates in Cleveland was promptly taken up by other Labor organizations in many diverse sections of the country. In the same year that the Cleveland bank was organized, William H. Johnston, president of the International Association of Machinists, launched the Mount Vernon Savings Bank, in Washington, D. C., with a capital stock of $160,000. Here, too, success was practically instantaneous, although not quite so sensational: The Mount Vernon bank today has resources of almost three millions. In Chicago, the Amalgamated Clothing Workers started the Amalgamated Trust and Saings bank, with $200,000 capital stock. They adopted the custom of crediting interest from the first of any month on deposits made before the tenth, although the annual rate of interest paid is only 3%. The statement of condition of this institution, as of December 29th, last, is reprinted elsewhere. It shows total resources of almost $1,500,000.

In Tucson, Arizona, various groups organized the "Co-Operative Bank & Trust Co." with a capital of $70,000; today, their resources are estimated at $770,000, and their institution has been open hardly a year. And so it goes.

A Change in Policy?

The reader will note that all the labor-banking institutions referred to above were organized, to all appearances, in the exclusive interests of Labor. In large part, moreover, they are officered by Labor executives. Thus—as has already been pointed out—Warren Stone's Cleveland bank has an exclusively Labor board; while of the eleven directors of the Chicago institution opened by the clothing workers, only two men appear to be "outsiders." Descriptions of the Cleveland bank by men close to its management show that its credit policies are almost exclusively in the interests of Labor—that is, that loans are confined to projects which either promise direct benefits to laboring-men, or which are handled by Labor men; and it appears that all the other institutions referred to were set up in the interests of Labor, and cater, so far as possible, to that class exclusively.

All of which would encourage the belief that Labor, through the medium of its Labor Banks, is endeavoring to set up a credit machinery which will wrest from "Capital" the "control" which that class is supposed to have over the country's finances. It would encourage the assumption that Warren Stone meant exactly what he said when he declared, at a Labor convention a few months ago: *"If you will use the power you hold in your hands, in ten years you can control the financial policy of the United States."*

So long as the Labor Unions, in their bank-organizing campaign, kept themselves, "on their own side of the street," so to speak, the natural assumption was that they were intent upon building up a financial system of their very own, which might eventually be pitted against the financial machinery of "Capital."

But these assumptions are swept aside when consideration is given to the recent financial event which started all this tongue-wagging: **When the facts involved in the Locomotive Brother-**

(Please turn to page 759)

CHARLES M. SCHWAB

WARREN S. STONE

CAN THEY GET TOGETHER?

Purchase by the Locomotive Brotherhood of a substantial interest in the Empire Trust Co. will bring Charles M. Schwab, T. Coleman du Pont and Minor C. Keith, famous capitalists, to the directors' table opposite Warren Stone and William B. Prenter, famous Labor leaders

President Johnson, of the Machinists Union, says the result will be a better understanding between the two classes, a fuller appreciation of mutual difficulties and obligations. President Baldwin, of the Empire Trust, says: "We will work together in harmony"

Foreign Trade and Securities

South America—the Next Step in American Expansion

Export Trade Follows Financing—Home vs. Foreign Markets—How Nations Grow

By MARTIN GOLDEN

IF we agree that America was a "young country" before the war, we must admit by the same analogy that "the war has aged America terribly." In the development of modern industrial nations, youth and age have certain specific meanings, as in their broad outlines their careers have all been similar. The modern state begins as a largely agricultural community, with possibly some small industry and some trade. It grows by borrowing money, becoming more industrial and less agricultural, until it finally reaches maturity. This point is marked when instead of selling grain it actually has to import it, while on the other hand its industry has grown to such a point that it provides the funds, through export trade, with which the nation pays for its imported foodstuffs. By this time also, the nation has been able to pay off its debts to those nations that financed its early growth, and is even in possession of surplus funds which it in turn seeks to invest in countries of a less developed stage, as well as of an export industry which seeks markets abroad.

OUR BUSINESS WITH SEVEN SOUTH AMERICAN COUNTRIES

(In Millions of Dollars)

	IMPORTS				EXPORTS			
	1919	1920	1921	% of total U. S. imports in '21	1919	1920	1921	% of total U. S. exports in '21
Argentina...	199.2	207.8	59.9	2.39	155.9	213.7	110.8	2.47
Brazil.....	233.6	227.6	96.3	3.83	114.7	156.7	58.1	1.30
Chile......	82.4	120.5	46.7	1.87	53.1	55.3	26.5	0.59
Colombia..	42.9	53.6	43.9	1.75	24.1	59.1	17.7	0.40
Peru.......	33.1	63.7	14.7	0.59	26.9	47.0	24.0	0.54
Uruguay...	50.4	33.8	12.5	0.50	31.4	33.7	13.8	0.30
Venezuela..	32.1	22.4	11.3	0.45	14.4	29.2	9.5	0.21

The war enabled us to pass at one bound through several of these stages. We paid off our debts to Europe, by buying back our securities in the early years of the war, and we then became a large-scale creditor to Europe, in the latter years of the war and afterwards. At the same time we greatly increased the productive capacity of our industry, thus giving it the problem of finding an outlet for the increased output, while because of voluntary and involuntary restrictions on immigration the total volume of consumption did not increase as fast.

Expansion Inevitable

Although we are still in the stage where we produce more than enough foodstuffs for our own requirements, it is evident therefore that we have progressed considerably on the road of industrial development as a result of the war, and are therefore faced with the same problems that the other great industrial nations have had to face—what to do with surplus production, and what to do with surplus investment funds. The answer to this is either expansion of consumption within the country, which for various reasons is difficult under the present scheme of things, or expansion outside of the country, a process sometimes called by the harsh and envious name of "imperialism."

While the war has made these problems of expansion more acute than ever, it would not be correct to say that it created them, as even before the war there were signs that America was gradually approaching her industrial maturity. Even then we had the makings of a competitive export trade, a movement to "make New York the world's financial center," dollar exchange, and toward the end of the 19th century even a certain amount of experimenting with the more traditional types of imperialism.

The attempt was far to early, however, as the great period of trust integration (1899-1901) that followed it demonstrated; we had not yet reached the point where expansion, financial, commercial or political, into foreign fields was necessary for the maintenance of the economic structure at home. We still had the great home field to open up, the buying power of the Western farmer to develop, inefficient cowboy methods in the Far West had to be replaced by sheep-grazing, the development of farm transportation by the cheap automobile was still to come, chain stores and mail order houses had to break open new channels from the manufacturer to the consumer, and in short, an important part of our development was still incomplete at the time of the Spanish-American War, even though the great foundations had already been laid.

By now all these changes have been made, and while the development of domestic purchasing power may continue for some time, it cannot keep pace with the development of our producing power, the major part of its acceleration being already behind it. We must assume, then, that American industry, to maintain its productivity and profits, will have to find foreign markets and that American finance will tend to find occupation abroad as it becomes increasingly difficult to find sufficiently profitable new investment at home.

Before the war, by far the largest part of our foreign trade was with Europe, the other continents following in this order:

FOREIGN TRADE, BY CONTINENTS, 1913

(In Millions of Dollars)

	Exports	Imports
Europe	1,479.1	892.8
North America	617.4	361.9
South America	146.1	217.7
Asia	115.1	276.5
Oceania	79.1	37.5
Africa	29.1	26.4

Though total figures and other conditions have changed considerably since then, the relative importance of the different continents has remained about the same, and the above figures can be used as a point of departure for estimating the opportunities for American trade expansion.

As for Europe, we can say roughly that our exports to her have been mostly of raw materials for industry, such as cotton and copper, and foodstuffs. This has been especially true since the war, when Europe has been forced back more than ever on her own resources and has been unable to buy specifically American finished products such as typewriters, motor cars, heavy machinery, agricultural implements, etc.

As the particular export problem with which we are concerned is how to dispose of the products of our industry, not of our agriculture, it seems likely that Europe will play a declining role in our export trade. Moreover, if our initial analysis seems correct, it is more than likely that in the United States itself agriculture will play a decreasing part, as in other industrial countries, while industry increases in importance. From this cause alone our agricultural exportable surplus may be expected to decline, in the long run, and as our export trade with Europe is so largely agricultural, it too will decline.

In the case of North America, which as a continent has been our next best customer in recent years, about 65-70% of our trade has been with Canada. A good part of this trade seems to be of an exchange or distributive character, such as our imports of Canadian livestock, wheat, potatoes, sugar and steel products, while others are for our own consumption, notably wood pulp, lumber, paper, and non-ferrous metals.

A Future Competitor

Our exports consist principally of semi- and fully-manufactured iron and steel products, electrical machinery, cotton goods, vehicles, and petroleum products. Canada is apparently in a position very much like our own; she too has large quantities of foodstuffs and raw materials to sell, and at the same time a growing home industry which in time may not only make her independent of American exports but actually competitive with them. Since both Canada and the United States have the same problems to handle, neither of them can well serve as a solution to the other.

The rest of the North American continent, principally Mexico, Central America, and the larger West Indies, have the same economic situation to confront as the major part of South America, and can best be regarded from the same viewpoint.

If one places these countries in the scale of industrial development which we explained in preceding paragraphs, it will be seen that they belong as a group to the relatively undeveloped class, characterized by exportations of raw materials and importations of highly-finished products, while showing tendencies to build up a native industry which at first limits itself to satisfying the home demand, and thus supplanting the export trade of more highly developed countries, and eventually, becoming highly developed in its turn, engages in export trade itself in competition with the older industrialized states.

Leaving out of account Oceania, whose economic progress is likely to be slow for a long time on account of its distance from markets and its insular economic character, we find the choice for America's next field of exploitation lying among South America, Asia and Africa. South America appears to be the most logical choice, for a number of reasons.

In the first place, South America is geographically nearer to us than Africa, Asia or Oceania, while from the South American's point of view, the United States is a nearer source of supply than Europe. Shipments that take four to six weeks from the United States may take three to four months from England, as South American importers have testified, so that geographically we start with a big trading advantage, which we possess in no other continent.

South America a Growing Factor

Taken by and large, the consumptive power of South America is greater, per head of population, than that of the other "undeveloped" continents, as indicated by their importation and production figures over a period of years. This is due to some extent to the better agricultural and grazing methods introduced by Europeans, partly also to the existence of developed mineral deposits, such as copper, silver and petroleum, over large areas, which result in a buying power higher than that of purely agricultural communities. While some oil is being obtained from Eastern Asia and some copper in Western Africa, the additions which these make to the purchasing powers of the population are relatively insignificant compared to the mineral wealth, actually produced per year, of South America. We may therefore say that while still an "undeveloped" continent, South America is further along the road of industrialism than the other two continents, and hence nearer the condition of high importing shown best by Europe.

The political conditions of economic activity in the different continents must also be considered. Largely because of the Monroe Doctrine, South American countries have grown up in the tradition of self-determination, in spite of the large degrees of financial control exercised through investments by France, Germany and England, both in private enterprise and through the flotation of State loans in Europe. In Asia and Africa, on the other hand, most of the territory, even where nominally independent, is so thoroughly under the financial and political domination of one or the other of the European Great Powers, which uses its political control to gain economic privileges for its own subjects, that under the most favorable of circumstances American expansion in these fields will meet with a host of obstacles, overt and covert, which it will not encounter in South America.

It is, therefore, intrinsically likely that our export trade and our investment surplus, in the near future, will develop in South America more than in Asia or Africa. Our exports consist principally of iron and steel manufactures, wood manufactures, petroleum products, automobiles, leather goods, electrical machinery, cotton goods, drugs, dyes and chemicals, naval stores and miscellaneous textile products, in the order named. In nearly all of these branches, notably iron and steel, automobiles, chemicals, and electrical machinery, our domestic producing capacity is well in excess of our normal domestic consumption, so that the pressure outwards is powerful.

In accordance with the practice of other large industrial countries in developing their less advanced neighbors, we have been financing a large part of the increase in exports through loans raised from our investors. Thus, in 1922 over 154 million dollars were borrowed in this country by South American countries and political subdivisions alone, apart from private transactions, compared with a total of exports approximating 205 millions. In the previous year, 196.5 millions were loaned to South America, while exports totalled 273.3 millions.

In a subsequent article we shall go more fully into the nature of the relation between financial expansion by loans and commercial expansion by increase in the export trade, but it will be seen that there is a close connection between the two from the slight indications already furnished.

Examining the different countries of South America more closely, one finds that while their requirements from the United States are all more or less alike, their exportable products are very dissimilar. Taking the seven which loom largest in the foreign trade of the United States, we find the following:

Country	Main Exports
Argentina:	corn, wheat, tanning extract, furs, hides and skins, meats, dairy products, linseed, wool.
Brazil:	cocoa, coffee, nuts, hides and skins, rubber, manganese, cane sugar, wax.
Chile:	sodium nitrate, copper, tin, wool.

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Bonds

SHOULD MUNICIPAL BONDS BE TAXED?

Why the N. Y. Chamber of Commerce Opposes Repeal of Tax Exemption

Clarence H. Kelsey, Chairman of Committee Rendering Unfavorable Report, Explains the Committee's Stand—What Exemption Repeal Would Mean to Small Taxpayers

THE Chamber of Commerce of the State of New York on February 1st, last, adopted a resolution opposing the proposed amendment to the Federal Constitution whereby either the Federal Government, or any State or Municipal Government would be deprived of the privilege of issuing bonds free from Federal and State taxation.

In plain English, the N. Y. Chamber lined up in defense of tax-exemption as now practiced, and emphatically condemned the proposal to render income from Federal, State or Municipal bonds subject to tax in the same way that income from private corporation bonds is subject to tax.

Had the position taken by the New York Chamber in this controversy been in accord with more or less generally accepted views on the subject, the action might have aroused no more than passing interest. As a matter of fact, however, the Chamber's position was so diametrically opposite to *what were becoming* the accepted views on tax-exemption that the news of its action had very much the effect of the proverbial bombshell.

In the highly respected brain of Dr. E. R. A. Seligman, McVickar Professor of Political Economy in Columbia University, the agitation for withdrawal of the tax-exemption privileges of our Government found ready support. Out of Dr. Seligman's subsequent utterances there developed what resembled a public outcry against exemption (illustrated, for example, by the recent publication of a 10,000-word article on the subject as a "leader" by the magazine having the largest general circulation of any similar publication in this country or abroad); and this "popular wave" eventually penetrated to the U. S. Treasury Department where, far from being received uncordially, it led to vigorous statements by Secretary Mellon favoring the amendment, as proposed. Hence the dramatic element in the action of the New York Chamber and the widespread interest in the reasons which led it to take the emphatic action it did take.

The Search for Reasons

It was for the purpose of "getting behind" the Commerce Chamber's stand on this tax-exemption matter that the writer recently sought out the gentleman who, as chairman of the Commerce Chamber's *Committee on Taxation* compiled and rendered the report referred to—Clarence H. Kelsey, chairman of the Title, Guarantee & Trust Co., a director of many corporations and one of the best known practical authorities on taxation principles. And be it recorded that, where the initial approach upon Mr. Kelsey was with some misgivings as to his ability to sustain his position in this tax-exemption controversy, the leave-taking, after a lengthy conversation, was with a profound respect for the man's mental processes and a very considerable bias in favor of his stand.

Mr. Kelsey was able to show most impressive evidence not only to the effect that the position approved and adopted by the New York Chamber of Commerce was based on penetrating analysis, accurate statistical derivations and unbiassed thinking, but also that **since the views of the committee on taxation were made known to the champions of tax-exemption repeal, no acceptable refutation of these views has been forthcoming.**

Inasmuch as, in the opinion of Mr. Kelsey's committee (representing what is probably as astute and competent a body of tax- and business-experts as is to be found in any existing organization) the removal of the tax-exemption privilege would mean a sharp, upward revision in the *per capita* tax levies on the people of the United States; inasmuch as the committee sees in the tax-exemption amendment a proposal which, if made law, would saddle an additional burden, in the shape of increased interest charges, upon business; and, finally, inasmuch as the committee takes the stand that to prohibit tax-exemption would fasten burdens on the comparatively poor who are not in a position to sustain additional burdens without removing those burdens from the comparatively rich, who *are* in a position to sustain them: in view of these contentions, and the prominent source from which they spring, **the reasoning by which the Chamber's committee reached its conclusions should have a direct and vital interest to every individual tax-payer in this country.**

What follows is an effort to reproduce the reasons for the Commerce Committee's stand as they were explained to the writer by the Chairman of that committee:

"The opponents of tax-exemption," said

THE AFFILIATIONS OF MEMBERS OF THE TAXATION COMMITTEE

No report presented by the Committee on Taxation of the N. Y. Chamber of Commerce would be likely to be prejudicial to the best interests of legitimate industry. A glance, merely, at the affiliations of the members of the Tax Committee is enough to establish this fact. Thus,

Chairman Kelsey is a director in Corn Products Refining, Thompson-Starrett and other corporations;

Mr. William C. Demorest is director in Royal Baking Powder, Famous Players-Lasky, and others;

Mr. Donald G. Geddes is director in Consolidated Gas, Houston Oil, Mercantile Marine, and others;

Mr. William P. Philips is director in Columbia Gas & Electric, Cuba Cane Sugar, Pere Marquette, Pierce Arrow, and others.

"It is the debt limit and the integrity and probity of our public officials and the restraints put on them by the tax-payers to which we must look for a curb on municipal extravagance and waste. Where, by legal subterfuge or what may amount to sharp practice, the just and wise limits are now being exceeded, nothing in the repeal of tax exemption would rectify the situation or supply its remedy. You would have to go far deeper than that!"

Mr. Kelsey, "are in the habit of asserting that it is an evil, a malicious evil, striking at the roots of prosperity and stability and sound economics in this country. As a matter of fact, the very opposite is true. If there is any element of the malicious in this controversy it is in the effort to prohibit tax-exemption, the effort to change the laws so that income received from investments in Government securities would be subject to the same taxes as income obtained from other sources. The propaganda favoring the amendment which is now before Congress is so fallacious in its premises, and the consequences that would ensue, were that amendment to be enacted, are fraught with such grave dangers, I can only marvel at the sophistries by which its proponents were misled into taking the action they have taken.

"To repeal the tax-exemption privilege, in the light of the facts **even as those facts are admitted by the proponents of this legislation** might well prove as disastrous an action as the Federal Government could take. Not only would the action fail to relieve the inequalities at present existing in our tax laws, but **it would fasten an additional burden of large proportions on the very classes, including industry and the Government, whom the champions of this measure presume to relieve.**

Effect of High Interest Rates

"It is admitted that to remove the tax-exemption privilege on Government bonds would be reflected in an immediate upturn in interest rates. We have the authority of Secretary Mellon, Government-Actuary McCoy and pure logic for this view. Thus, Mr. McCoy has written:

> "There is little doubt that under these conditions the future investor in what are now tax exempt securities would demand that they bear a higher rate of interest . . . sufficient to meet this tax."

—and the figures presented by Mr. McCoy resulted in an estimated increase in the rate of interest of approximately 1.1%.

"Assuming, for the sake of argument," continued Mr. Kelsey, "that this estimate of 1% is correct. Then, where Government securities now pay 4% they would have to pay 5%. How would the Government be able to raise that extra 1%, except through taxation? And where would the additional taxation be imposed? On the citizens, of course, probably by an increase of the income taxes. Would these citizens, by reason of the higher rate of interest paid, receive enough additional income to compensate for the additional taxation? Some few might But, as our Committee has pointed out, **so far as they do break even, there is no merit in the plan, either for them or for the Government.**—And when you consider that the handicap in favor of the Government which now exists as the result of exemption would disappear with removal of the exemption; when you realize the additional expense the Government would have to go to, in order to make up for the loss of this handicap by collecting its equivalent in the form of taxes; when you realize that a great quantity of the Government's bonds are held by institutions like savings banks, life-insurance companies, etc., which are non-taxable in themselves; then it is obvious that the effects of the additional taxation would outweigh the effects of the higher interest rate, and that the taxpayers of the country, both small and large, already struggling under burdens, that they feel have about reached the limit of endurance, would be faced with an additional burden of very serious proportions."

Who Pays the Most Taxes Today?

Mr. Kelsey then took up the argument, so frequently reiterated in this tax-exemption dispute, that exemption "permits the wealthy to evade the burdens of taxation to the disadvantage of the comparatively poor." He took it up to examine it and then to riddle it with the force of his logic. He made what, in the light of the growing conception of the effects of tax-exemption can only be regarded as an amazing statement, to wit, that **far from putting wealth at an advantage in respect of taxation, exemption provides a means of securing from wealth what, without exemption, would have to be obtained through additional taxation of ALL the people, small taxpayers as well as large.**

He sighted parallel cases to illustrate his point, again using the original Treasury Department estimate that removal of exemption would force up interest rates 1%, and said:

"Who really pays the greater tax today? Is it the comparatively poor or the comparatively rich? **The facts prove that it is the latter.** Take the case of the man with a salary of $10,000 a year earned from his profession or business, against that of the rich man having an income of $8,000 a year derived from $200,000 invested in 4% tax-free bonds, instead of what, without exemption, would be 5% bonds, yielding him $10,000. The salaried man pays a total tax of $520. But the man living on his accumulated fortune of $200,000, by reason of this tax-exemption, yields $2,000 in interest (1% on $200,000) and saves the Government $2,000 in interest **which the Government would have to collect in taxes were exemption repealed!**

"As stated in our report," continued Mr. Kelsey, "you can follow this comparison up to the man with an earned income from his profession or business of $60,000 a year, whose total tax is $11,940, and the man with an unearned income of $48,000 a year from $1,200,000 of tax-exempt 4% Government bonds, who surrenders, on account of exemption, $12,000 in interest and saves the Government that much in taxes, and still it holds true.

"In fact, it may be said that **until you get to incomes of $60,000 a year, the man who lives on an unearned income from tax-exempt bonds is contributing more than the man living on an earned income of the same amount."**

Mr. Kelsey again referred me to his Committee Report, containing the delicious irony that "it is only the poor man with an earned income of more than $60,000 a year (!) that finds himself paying more by way of income taxes than the man with an unearned income of the same amount in tax-exempt Government bonds."

> How wrong it is, therefore (the report continues) to attempt to stir up discontent by representing that the present law transfers the burden of taxation from the rich to the poor. When it comes to equalizing the burdens between the two classes of incomes above the $60,000 mark, if it is imortant to do it, it can be accomplished by a reduction in the surtaxes and still leave the maximum surtax at not more than 25%.

Is Wealth Being Steered Away?

Mr. Kelsey here took up the stock argument that tax-exemption has the effect of steering wealth away from "legitimate" business and into "non-productive" channels. He repeated to me what he had already said in his report, that "it is certainly a new theory that, once money is invested in bonds, it ceases to work!"

"Government funds obtained through

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"Government funds obtained through sale of tax-exempt securities . . . go into the erection of public buildings, the construction of public highways, etc. The money so expended does not reach some invisible barrier, and halt there before reaching the people. It pays bills and goes into circulation just as the proceeds of a corporation bond issue go into circulation, with the difference that the Government's funds are not employed as profitably as the corporation's."

BOND BUYERS' GUIDE

No.	GILT EDGE.	Apx. Price	Apx. Yield	Int. Earned on entire funded debt‡
	(e) Railroads.			
1.	Balt. & Ohio S. W. Div. (b) 1st Mtg. 3½s, 1925	92¼	7.14	.80‡
2.	Ches. & Ohio (a) Genl. Mtg. 4½s, 1992	84⅛	5.33	2.20
3.	Delaware & Hudson (a) 1st & Ref. 4s, 1943	87⅞	4.97	1.65
4.	Southern Pacific (b) 1st Ref. 4s, 1955	87⅛	4.78	1.65
5.	Chic., Burl. & Quincy (a) Genl. Mtg. 4s, 1958	88	4.72	2.40
6.	N. Y. Central Genl. Mtg. 3½s, 1997	75½	4.67	1.80
7.	N. Y., Chic. & St. Louis 1st Mtg. 4s, 1937	89½	5.05	2.35
8.	Atlantic Coast Line (a) 1st Mtg. 4s, 1952	88	4.77	1.55
9.	Pennsylvania (a) Genl. Mtg. 4½s, 1965	91⅛	5.02	2.20
10.	West Shore (a) 1st Mtg. 4s, 2361	79⅛	5.26	**
11.	Norfolk & Western (c) Cons. 4s, 1996	92¼	4.33	3.95
12.	Central R. R. of N. J. (a) Genl. Mtg. 5s, 1987	105½	4.73	1.40
13.	Chic., R. I. & Pacific (a) Genl. Mtg. 4s, 1988	81⅛	5.04	1.00
	(e) Industrials.			
1.	Armour & Co. (a) R. E. 4½s, 1939	88⅛	5.56	†
2.	General Electric (b) Deb. 5s, 1952	101⅛	4.90	6.75
3.	International Paper (a) 5s, 1947	86	6.12	5.55
4.	Indiana Steel (a) 5s, 1952	100⅞	4.94	16.70
5.	Liggett & Myers (aa) Deb. 5s, 1951	98	5.13	4.65
6.	Baldwin Loco. (a) 5s, 1940	101⅛	4.90	3.50
7.	National Tube (a) 5s, 1952	100⅛	4.97	**
8.	Corn Products (a) 5s, 1934	100¼	4.98	60.70
9.	U. S. Steel (a) 5s, 1963	103	4.83	8.70
	(el) Public Utilities.			
1.	Duquesne Light (b) 6s, 1949	103⅛	5.72	3.40
2.	American Tel. & Tel. (c) 5s, 1946	97⅞	5.15	4.80
3.	Philadelphia Co. (c) 6s, 1944	100	6.00	3.50
4.	N. Y. Telephone (b) 4½s, 1939	94	5.03	**
5.	Montana Power (c) 5s, 1943	96⅛	5.32	2.90
6.	Col. Gas & Electric (a) 5s, 1927	95½	6.29	4.15
7.	N. Y. G., E. L., H. & P. (a) 5s, 1948	99½	5.03	2.10
8.	Pac. Tel. & Tel. (a) 5s, 1937	98⅛	5.41	1.75
	MIDDLE GRADE.			
	(el) Railroads.			
1.	Cleve., Cin., Chic. & St. L. (a) Deb. 4½s, 1931	95¼	5.27	2.40
2.	Ches. & Ohio (b) Conv. 5s, 1946	94⅛	5.43	1.55
3.	Missouri, Kansas & Texas Prior Lien 5s, 1962	81⅞	6.32	.75
4.	St. Louis-San Fran. (a) Prior Lien 4s, 1950	68⅛	6.50	1.60
5.	Balt. & Ohio (b) 1st Mtg. 4s, 1948	78⅛	5.63	0.80
6.	Illinois Central (b) Col. Trust 4s, 1953	84¼	5.01	2.25
7.	Pere Marquette (c) 1st Mtg. 5s, 1956	95½	5.28	2.05
8.	Kansas City Southern (a) 1st Mtg. 3s, 1950	68¼	5.21	1.70
9.	Southern Pacific (b) Col. Trust 4s, 1949	83⅛	5.14	2.40
10.	St. Louis Southwestern (a) 1st Mtg. 4s, 1989	77⅛	5.22	2.00
11.	Chic. & Eastern Ill. (c) Gen. 5s, 1951	79½	6.61	2.10
	Industrials.			
1.	South Porto Rico 1st Mtg. 7s, 1941	99	6.59	5.50
2.	Sinclair 1st Lien, Col. Tr. 7s, 1937	100⅛	6.98	3.70
3.	Wilson & Co. (a) 1st 6s, 1941	100½	5.95	2.10
†4.	Adams Express (b) 4s, 1948	80	5.48	2.60
5.	Comp. Tab. & Recording (b) 6s, 1941	96½	6.32	5.45
6	Int. Merc. Marine (b) 6s, 1941	86¼	7.38	5.15
f7.	Lackawanna Steel (c) 5s, 1950	91⅝	5.60	6.90
8.	U. S. Rubber (c) 5s, 1947	88½	5.90	2.35
9.	Amer. Smelting & Refining (c) 5s, 1947	90½	5.73	5.00
10.	Goodyear Tire (c) 8s, 1941	115¼	7.24	9.55
	(e) Public Utilities.			
1.	Public Service Corp. of N. J. (a) 5s, 1959	85	6.02	1.50
2.	Detroit Edison (c) Ref. 5s, 1940	96	5.35	2.80
3.	Brooklyn Union Gas (a) 5s, 1945	98	5.15	*1.35
4.	Northern States Power (b) 5s, 1941	91¼	5.79	1.80
5.	Brooklyn Edison (c) 5s, 1949	95⅞	5.29	2.20
6.	Utah Power & Light (a) 5s, 1944	90⅞	5.76	1.80
7.	Cumberland Tel. & Tel. (b) 5s, 1937	93	5.74	1.70
	SPECULATIVE.			
	Railroads.			
1.	Western Maryland (a) 1st Mtg. 4s, 1952	64	6.87	.70
2.	Iowa Central (a) 1st Mtg. 5s, 1938	75	7.85	....
3.	St. Louis Southwestern (a) Cons. Mtg. 4s, 1932	75⅝	7.65	2.00
4.	St. Louis-San Francisco (a) Adj. Mtg. 6s, 1955	77½	7.93	*1.90
5.	Mo., Kansas & Texas Adj. Mtg. 5s, 1967	60⅞	8.38	.75
6.	Erie (a) Genl. Lien 4s, 1996	45⅛	8.88	0.70
7.	Southern Railway (a) Genl. Mtg. 4s, 1956	67¾	6.34	1.85
8.	Missouri Pacific (b) Genl. Mtg. 4s, 1975	60¼	6.80	.90
9.	Carolina, Clinch. & Ohio (c) 1st Mtg. 5s, 1938	91½	5.86	1.40
10.	Chic. Gt. Western (a) 1st 4s, 1959	51½	8.21	....
	Industrials.			
1.	Chile Copper (b) 6s, 1932	99	6.14	8.80
2.	American Writing Paper (a) 6s, 1939	84½	7.70	1.90
3.	American Cotton Oil (a) 5s, 1931	74¼	9.59	8.15
4.	Cuba Cane Sugar (c) 7s, 1930	88	9.38	1.80
	Public Utilities.			
1.	Hudson & Manhattan (c) Rfdg. 5s, 1957	82½	6.25	*1.00
2.	Intr. Rapid Transit (a) 5s, 1966	70⅛	7.25	1.60
3.	Third Avenue (b) Refg. 4s, 1960	60	7.06	*1.20
4.	Va. Railway & Power (a) 5s, 1934	84	7.05	1.90

(aa) Lowest denomination, $5,000. (b) Lowest denomination, $500. (d) Lowest denomination, $50
(a) Lowest denomination, $1,000. (c) Lowest denomination, $100.

(x) This issue was created on May 1, 1921. † This issue, which represents the entire funded debt of the company, was created on Nov. 1, 1920. * Number of times over interest on these bonds was earned. ** Earnings are not reported separately. ‡This represents number of times interest on the companies' entire outstanding funded debt was earned, based on actual earnings of last five years. Interest on this issue was fully covered. (e) Bonds in this group should no longer be purchased. They appear now as a matter of record only. (el) Bonds in this group should no longer be purchased with the exception of Duquesne Light 6s, Phila. Co. 6s, M., K. & T. 5s, Frisco 4s, & Chi. & E. Ill. 5s. (f) These bonds should no longer be purchased. They appear as a matter of record only.

BONDS GAIN STRENGTH

Increasing Cheerfulness in Investment Markets Causes New Buying in Bonds

A MORE than moderate demand for bonds put in its appearance commencing with the first week in February and, as a result, there was greater activity in this market than seen for quite a considerable period. Practically all classes contributed to the improved showing though speculative railroad issues perhaps made the greatest advances. Conspicuous among the latter issues were such as the Erie series, Junior St. Pauls and like bonds. Some of the advances, as in the Eries, were quite startling, being due to considerably improved earnings reports, in some cases, indicating that much better results for 1922 than looked for had materialized. Among the gilt-edge issues, there was also some activity but on a restrained order, few of these bonds making important gains.

Among the most interesting fluctuations of the two weeks were the almost precipitous decline in the French 7½s and 8s which at one time sold on not far from a 10% basis. Later these bonds, under the stimulus of an upward reaction in francs, recovered a good part of the ground lost but are still far below the selling prices at the time this Magazine recommended that American investors omit European issues from their lists.

An important foreign development was the British acceptance of the American Debt Commissions' terms with regard to the settlement of the war-debt owed the United States by Great Britain. This action had a most favorable effect not only on British issues but on United States war bonds which, as indicated by the provisions of the settlement, receive a new sustaining force from potential British buying.

The Outlook

Though the bond market is currently strong and very likely will continue so for some time, there is no reason to believe that a runaway market can ensue. There are two factors to militate against such an occurence. One is the extremely heavy volume of new issues which will have to be absorbed more completely than they are at present and the other is the outlook for money rates which does not indicate any material recession from these levels, at least in the near future. There are, however, many individual issues which are promising from both an investment and speculative viewpoint and a good many of such issues will be found in our Bond Buyers' Guide.

Special mention should be made at this time of the bonds of sugar companies. From present indications, the outlook favors this industry and earnings should be good-sized during the current year. This prospect has already been reflected in the advance of sugar stocks without corresponding advance in sugar bonds. The latter, however, will undoubtedly reflect the improvement in the industry and should sell on a lower basis before long.

Railroads

Who Are the Van Sweringens?

Romantic Rise of Two Young Real Estate Operators to a Commanding Position in the Railroad World

By JOSEPH M. GOLDSMITH

THE last few years have witnessed the rapid rise in the railroad field of two men previously unknown. In a very brief space of time the Van Sweringen brothers of Cleveland have acquired a place in the transportation world, which although not of dominating importance, nevertheless shows promise of becoming one of constantly increasing influence. The rapidity with which they have acquired one railroad after another furnishes a real romance of contemporary railroad history, and recalls the days when Gould, Hill and Harriman were building up their extensive systems. Although thus far, the operations of the Van Sweringens have not been conducted on nearly as large a scale as were those of the three outstanding figures mentioned above; the inactivity in the railroad field during the last decade, as far as the advent of new interests to control is concerned, gives them considerable prominence.

Who then are these Cleveland operators who in the course of six years have gained control of four different railroads aggregating 4600 miles of line, which form the nucleus of a fifth trunk line system? How did they happen to enter the railroad field and what have they accomplished?

O. P. VAN SWERINGEN

The story of the rise of the Van Sweringen brothers Oris P. and Mantis J., from a position of obscurity to the stellar position which they now occupy, reads more like fiction than uncolored account of a successful business career. It furnishes an outstanding example of achievement; accomplished without financial backing at the outset, and against great obstacles; solely by virtue of foresight and vision combined with the requisite amount of practical knowledge and business sagacity. It is one more irrefutable answer to those who believe that, as now constituted, our country has ceased to be a land of opportunity. It shows conclusively that rewards still exist for those who have the ability to look ahead and correctly appraise the future.

In 1907 O. P. and M. J. Van Sweringen, then in their twenties, started in the real estate business in the city of Cleveland. In possession of practically no capital, they purchased an option on a vacant piece of ground, then pasture land, about three miles beyond the end of the nearest street car line. The city grew both in population and in extent and the ground which they held and that around it, which they gradually acquired, was transformed from a place over which cattle were wont to roam into an exceedingly attractive suburb. On this land, called Shaker Heights, many of the finest homes in Cleveland have been built and the greater part of this entire section was originally owned by the Van Sweringens and their associates.

Necessity of Electric Road

In order to create a residential suburb at a considerable distance from the heart of Cleveland rapid transportation was most essential. The necessity of supplying a satisfactory means of enabling people to get into the city quickly, in order to make their suburb attractive, is at the bottom of the Van Sweringen's first venture in the railroad field.

Rather surprising, is it not, that the construction of a fast electric road from Shaker Heights into the heart of Cleveland, at a cost of five millions, indirectly led to the acquisition of the New York, Chicago & St. Louis Railroad, commonly spoken of as the Nickle Plate, a road 523 miles long and extending from Buffalo to Chicago? The peculiar situation arose in this way. Surveys for the proposed electric road showed that the only practicable route lay across the right of way of the Nickle Plate and consequently negotiations began to either purchase or lease or in some way secure, the use of the land essential for the construction of the electric road.

It developed, in the course of the negotiations, that the entire road was for sale, and on the partial payment plan at that. Although entering the transaction merely to obtain control of a small right of way the Van Sweringens emerged from the deal the owners of the whole Nickle Plate system. The construction of the electric line which was thereby made possible enabled the residents of Shaker Heights to arrive in town in fifteen minutes, whereas it required three quarters of an hour before. But what was to prove of more far-reaching importance, it indirectly lead to the entrance of the Van Sweringens in the field of steam railroad operation. Their subsequent purchases are all attributable to this original venture.

The Nickle Plate

The Nickle Plate consists of a main stem with absolutely no branches, extending from Buffalo to Chicago. In the days when railroading was free and unregu-

M. J. VAN SWERINGEN

lated, it offered an excellent field in which to practice a type of financial banditry which was ordinarily productive of handsome rewards to the perpetrators. Roads were slapped down as cheaply as possible parallel to prosperous lines in order to force the latter to buy them out at an excessive price. The Nickle Plate was one of these so-called "hold-up" propositions and was constructed alongside of the Lake Shore & Michigan Southern, in order to force the Vanderbilts to buy it up and prevent its destructive competition. This purpose was finally accomplished, and it is from the alleged remark of Vanderbilt at the time of purchase, that at the fancy price paid for it the whole road ought to be nickel plated, that its present nickname is supposed to have originated.

When in 1916 the New York Central consolidated the Lake Shore & Michigan Southern with its own lines East of Buffalo, it decided to dispose of its holdings of Nickle Plate stock. The Van Sweringens were not adverse to acquiring a road of this nature and the New York Central sold to them its entire holdings in the Nickle Plate, consisting of $2,500,000 First Preferred, $6,275,000 Second Preferred, and $6,240,000 Common. The price paid was $8,500,000 and of this sum $2,000,000 was paid in cash and the balance by the delivery of ten notes of $650,000 each, maturing serially.

Since its acquisition by the new interests its progress from an operating as well as from a financial standpoint has been very substantial. The character of the tonnage has been very much improved during the last few years, minerals declining relatively while manufactured products have become a more important item. It is becoming exclusively a freight road and has concentrated on this more profitable branch of the business, largely ignoring passenger traffic. In 1921, freight revenue constituted 93% of the total from all sources.

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In April, 1922, the Van Sweringens (*Please turn to page* 755)

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By JOHN W. KENNEDY

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Although the Pere Marquette was launched with a capitalization materially in excess of the actual value of its constituent lines, it had sufficient traffic to earn a return even on these inflated security issues. It probably would have had a moderately successful career had it not been systematically milked by the interests which soon obtained control. The limits of the present article do not permit an account of the various methods employed in accomplishing this end, but after a decade of financial mismanagement the Pere Marquete was placed in receivership in 1912. Its property was in a deplorable physical condition, and its funded debt was out of all proportion to what it would have been had the road's finances been legitimately administered.

The Reorganization of 1917

The first requisite of placing the road on a paying basis was the restoration of its physical property to a condition which would permit efficient operation. Enormous sums were expended in making up this deferred maintenance and in 1914 the operating ratio rose to 106%, largely as a result of this policy. By 1917 the Pere Marquette's road and equipment had been placed in a satisfactory condition and its tremendous bonded debt of 76 millions was drastically reduced to 32 millions, by the wholesale exchange of stock for the old junior bonds. The excessive burden of fixed charges which it could not sustain was almost cut in half. The Pere Marquette *Railway* Co., which on March 12, 1917, succeeded the Pere Marquette *Railroad* Co., started out relieved of a large part of the tremendous debt with which its predecessor had been saddled.

The Pere Marquette operates 2,222 miles of road practically all situated within the State of Michigan. By means of trackage rights over other roads it operates a through line from Buffalo to Chicago, and although its route is slightly longer than those of the trunk lines, the Pere Marquette has been fairly successful in competing for this through business. Nevertheless it still remains predominantly an originating road, the larger proportion of its traffic being drawn from its own territory and subsequently turned over to connecting carriers.

Mineral products constitute about half of the total tonnage, consisting mainly of bituminous coal, sand, stone and like articles. Among the agricultural products sugar beets are the largest single items. Lumber, although still of importance, does not occupy the leading position that it formerly did. The greatest growth in tonnage has taken place in manufactured products, due in considerable measure to the rapid expansion of the automobile in-

dustry in and around Detroit. The Pere Marquette's total tonnage has increased substantially during the last few years but in 1921 fell far below the high level of the previous year.

Earnings of Past Two Years

In the year 1921 the Pere Marquette earned a surplus over all fixed charges amounting to $3,103,000 which represented a gain of $4,595,000 over 1920, in which a deficit of $1,492,000 had been incurred. Results for 1922 have been even better, gross revenue equalling 38.4 millions, an increase of $95,000 indicating that the reduction in rates did not have a similar effect upon revenues, due to the larger volume of traffic transported. Net operating income, which represents the net from railway operations before fixed charges, are deducted, totalled $6,080,000 an increase of $406,000 over 1921. Assuming that other income and fixed charges are the same as in the preceding year, this will result in a surplus applicable to dividends of 3.5 millions. These excellent earnings are in striking contrast to the meager surpluses and more frequent deficits which characterized the years prior to the reorganization of 1917.

As the appended table shows the Pere Marquette's stock capitalization consists of three different classes. The senior issue bears the title, Prior Preference 5% stock, and is certainly attractively named. There is outstanding 11.2 millions of this issue, which is entitled to 5% cumulative dividends ahead of either of the other classes of stock. Dividends have been paid upon it regularly since it was put out in 1917.

The Preferred 5% stock ranks second to the above and slightly more of it is outstanding. Dividends at the rate of 5% became cumulative January 1, 1919, but it received nothing until January 3, 1922, when 10% was paid, covering the period from January 1, 1919, to December 31, 1920. During 1922 the regular 5% for that year was declared and also an additional 3% applicable to 1921. On January 3, 1923, the final 2% on account of accumulations entirely cleared up all back divends on this issue.

PERE MARQUETTE
STOCK CAPITALIZATION

Stock	Am't Outstanding	Income Av'lable, '22	(%)
Prior preferred 5% stock	$11,200,000	$3,500,000	31.25
Preferred 5% stock	12,420,000	2,940,000	23.40
Common stock	45,046,000	2,318,550	5.10

The 45 millions Common Stock completes the Pere Marquette's capitalization and amounts to almost twice as much as the two preferred issues combined. So far no dividends have been declared upon it but the liquidation of all arrears on the Preferred makes its position very much better.

Preferred Issues Attractive

The Pere Marquette is no longer to be classed as a weak system, for results of the past two years have adequately demonstrated its earning power. The high credit which it now enjoys is evidenced by the fact that its First Mortgage Bonds bearing 5% interest are selling at 95 to yield slightly over 5%. The year 1922 will show an operating ratio of about 75% and this has been achieved with hardly any reduction in expenditures for maintenance. The large sums spent on the property in recent years have placed it in first-class condition.

The Pere Marquette's Prior Preferred at its present price of 73¼, as of February 3 gives a yield of about 6.8%, while its Preferred at 66 nets a return of 7.6% on the sum invested. In 1921 there was available for dividends 3.1 millions, and in 1922 about 3.5 millions remains after all fixed charges. Since the dividend on the issue of Prior Preferred requires but $560,000, annually, it is especially well protected, and the regular 5% on the Preferred only involves an additional $621,450. It is also covered by a wide margin and earnings are not likely in any year to decline to such an extent as to fall below the $1,181,000 necessary to pay the full 5% on both issues of preferred.

The common may ultimately be placed on a dividend basis but a conservative financial policy would dictate that, for sometime at least, whatever surplus remains, be retained by the company. The common is a large issue and dividends on it, even at a moderate rate, would require a commensurate sum. Of course, if the Pere Marquette's earnings rise even above the excellent figures of 1922 the initiation of payments on its junior stock issue might follow, but we can hardly look for any material increase within the next few years.

The stock is now selling at around 40 which is within a point of its high of 1922 and cannot be considered a bargain at this price. The preferred issues appear relatively more attractive, for in addition to yielding a liberal return, they will appreciate provided the good earnings of the past two years are maintained, and everything points to their continuance.

lated, it offered an excellent field in which to practice a type of financial banditry which was ordinarily productive of handsome rewards to the perpetrators. Roads were slapped down as cheaply as possible parallel to prosperous lines in order to force the latter to buy them out at an excessive price. The Nickle Plate was one of these so-called "hold-up" propositions and was constructed alongside of the Lake Shore & Michigan Southern, in order to force the Vanderbilts to buy it up and prevent its destructive competition. This purpose was finally accomplished, and it is from the alleged remark of Vanderbilt at the time of purchase, that at the fancy price paid for it the whole road ought to be nickel plated, that its present nickname is supposed to have originated.

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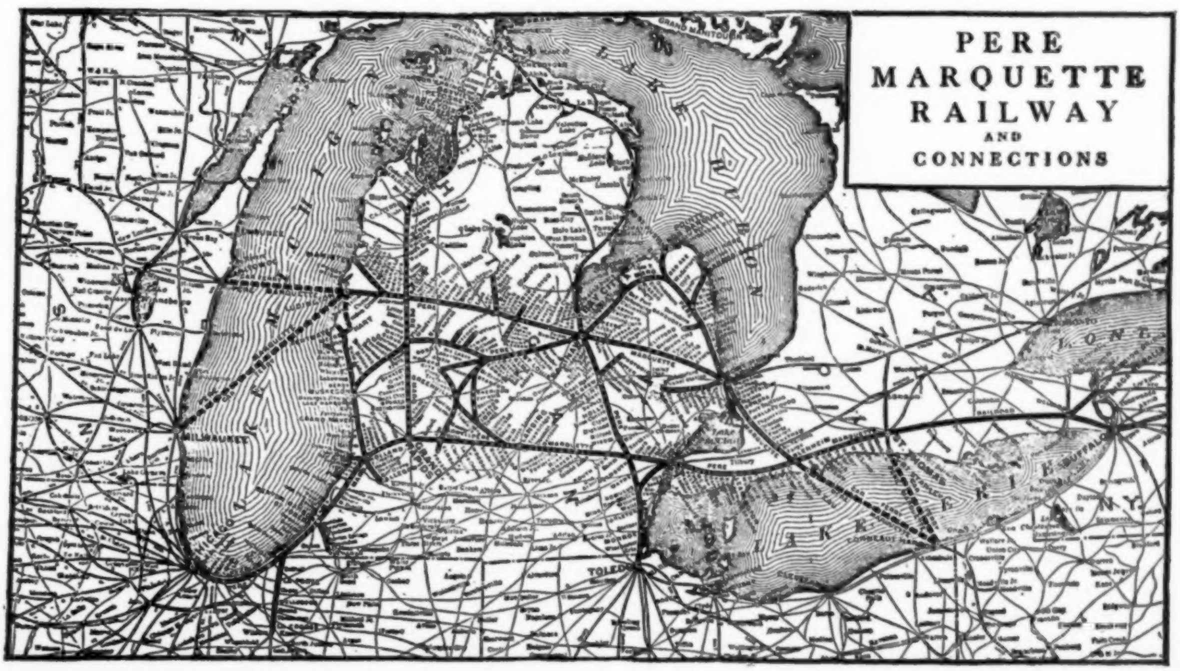
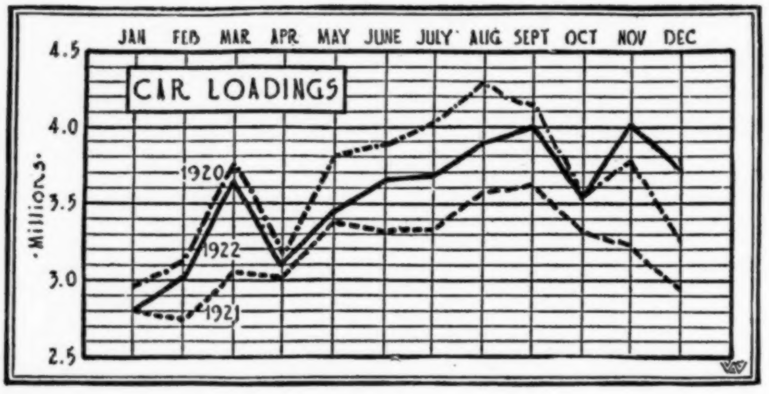


Striking Recovery in Rail Earnings

Gross and Net for December Far in Excess of Corresponding Month of 1921

By ARTHUR J. NEUMARK



THE situation for the rails looms very bright at the present writing. Volume of traffic for the last month of 1922 broke all previous records for that time of the year, in fact gross earnings of many roads exceeded that of the previous month which is normally a much more remunerative period.

Net operating income was high in almost every instance, some of the reports furnishing striking contrasts with those of a year ago. With the exception of the anthracite roads, every one of the leading roads earned their dividend requirements substantially. Among the premier companies, *Illinois Central, Louisville & Nashville, Atlantic Coast Line, Chesapeake & Ohio, Pennsylvania, Atchison, Southern and N. Y., Chicago & St. Louis,* enjoyed the most prosperous year.

Outlook

Car loadings for January continued to break all previous records and indications are that the month will yield the best returns of any January since 1916. Domestic conditions in all basic industries indicate a continuance of the present heavy volume of traffic for at least six months to come. It is the writers opinion that holders of railroad securities can look to the future with a great deal of confidence.

For a more extensive analysis of the railroad situation and the general outlook of the carriers readers are referred to the article appearing elsewhere in this issue entitled "Is a Big Move Ahead for the Rails?"

Note: In the March 3 issue will appear an article on prospective railroad earnings which we believe will be of great interest to our readers. This article has been written by George W. Oliver, one of the best known railroad analysts in the country.

CLASS I ROADS
(000 omitted)

	Net oper. income	*Month's normal earnings to give a 6% return
January, 1922	$29,530	$74,100
February	47,770	68,000
March	83,511	78,000
April	50,271	88,500
May	61,980	89,000
June	76,594	97,500
July	69,239	103,200
August	52,579	113,400
September	58,457	125,000
October	85,255	136,000
November	105,000	113,000
*December	95,000	96,300

* Estimated.

ESTIMATED ANNUAL EARNINGS OF RAILROADS FOR THE CALENDAR YEAR 1922

Road	Net Operating Deficit	% Charges Earned	$ Per Share on Preferred	$ Per Share on Common
Atchison				$11.70
Atlantic Coast Line				16.20
Baltimore & Ohio				1.55
Buffalo, Rock. & Pgh.		32%		
Canadian Pacific				11.70
Carolina, Clinch. & Ohio				3.60
Central of N. J.		83		
Chesapeake & Ohio				8.10
Chicago & Alton		37		
Chicago & East Illinois			$3.20	
Chicago Gt. Western		19		
Chicago, Mil. & St. Paul		70		
Chicago North Western				5.00
Chicago, R. I. & Pacific			[8]6.00	
Chicago, St. Paul, Minn. & O.				2.15
Cleve., Cinn., Chic. & St. Louis				15.55
Colorado & Southern				4.00
Delaware & Hudson		36		
Delaware, Lackawanna & Western				3.10
*Erie	$98,738			
Great Northern			[5]5.00	
Gulf, Mobile & Northern				.90
Illinois Central				16.25
Kansas City Southern				2.65
Lehigh Valley		11%		
Louisville & Nashville				16.00
Minneapolis & St. Louis		41		
Minn., St. Paul & St. Ste Marie				4.00
Missouri, Kansas & Texas				1.90
Missouri Pacific		86		
New York Central				7.60
N. Y., Chicago & St. Louis				[2]17.00
N. Y., N. H. & Hartford		71		
N. Y., Ontario & Western		26		
Norfolk & Western				10.95
Northern Pacific				5.80
Pennsylvania				[1]5.43
Pere Marquette				5.50
Pittsburgh & W. Va.				3.00
Reading				3.00
*Seaboard Air Line		[7]75		
St. Louis, San Francisco				.90
St. Louis Southwestern				6.75
Southern Pacific				[3]9.00
Southern Railway				3.30
Texas Pacific				1.50
Union Pacific				11.35
Virginian				7.30
Wabash			[4]1.45	
Western Maryland			[6]1.10	
Wheeling & Lake Erie		30		

[1] $50 par value. [2] After 5% on the common stock, all classes of stock share equally. [3] Without oil income and after capital adjustments. [4] Assuming that all of the outstanding preferred B is converted equally into preferred A and common stocks. [5] Only class of stock outstanding. [6] On 7% first preferred. [7] Excludes interest on adjustment income bonds. [8] On the 6% preferred.

* Based on first 11 months.

Readers' Round Table

Our Own Playwright Scores a Hit!

(The following is from a letter to Mr. Ralph Rushmore, in reference to his "one-act tragedy" *What Every Would-Be Income Builder Knows* which appeared in our January 20th issue.)

". . . Permit me to congratulate you on the mighty clever "one-act tragedy." That's the best thing I have read since Hector was a pup. You must have sat in on some of my own home scenes. For I have had to fight a darned sight harder to carry on the budget plan than your hero who, like 90% of humanity, lacked the nerve to put his foot down and go to the mat if need be.

"I read it aloud to my manager, and midway in the reading the phone at his elbow rang, and "wifey" teased him for some silk—(deleted)—and the "goop" gave in. When the phone rang, he was laughing his head off, because the bridge lamp was at present "on the table" at his home and *he has exactly ten others to light every necessary corner.* I think you have reached every male reader on your list, to say nothing of the women, in the best possible manner."—A. C.

Objects to "Radical Propaganda"

Editor, The Magazine of Wall Street:

I was distinctly disappointed to read the article by this George W. Norris on "The Root of National Distress" in the Jan. 6 issue. Where does this man get the misinformation that the railroads are overcapitalized? He says that we must take the water out of railroad capitalization. In heaven's name where is it? I have been watching the valuations as they have come out and I have not been able to find that any of our great systems are full of water.

Take the case of the Rock Island Railroad: By the I. C. C. valuation division figures, this road's common stock is worth well over $100 per share. And the valuation of the N. Y. N. H. & H. also was found to be well above the outstanding stocks and bonds.

Senator Norris is Chairman of the U. S. Committee of Agriculture & Forestry according to the heading of the article. Would he be willing to tell me how much water there is in farm land at from $100 to $500 an acre? If there *is* any watered stock is it not in our grossly inflated farm and real-estate values? Farm land that could have been bought for $20 an acre twenty or thirty years ago was bid $20 an acre as rent in Iowa. These miserable politicians would not recognize the truth if they saw it.

You may have read the address (if it could be called such) that was given by the Senator-elect from North Dakota before The City Club of Washington about a week ago in which he is reported to have made the statement that when the farmer sent a carload of sheep to market he received a bill from the railroad for freight charges, the price received for the sheep not being sufficient to pay the freight charges. President Felton of the Chicago Great Western Railroad in reply to this falsehood showed that it could not have been true as the highest figure that he found was that the freight charges were 10½% of the market price of the carload of sheep. The daily newspapers give us enough misstatements about such matters as these so I think that a financial journal should not add to them.—H. E. B.

The function of a Magazine whose chief forte is unprejudiced analysis as we see it is to consider all sides of any subject before attempting a conclusion. The same attitude, we think, must be taken toward public questions, and to our method of treating these questions in our columns. That is, irrespective of which side we are tempted to favor, our clear duty seems to be to present both sides, and to throw our columns open to the presentation of both sides, and not to make our Magazine a dividing wall between our readers and "the other side of the case." To follow such a policy consistently need certainly do no harm; and by hastening the discovery of the whole truth, it may do a great deal of good. We are reminded of a line from Milton:

"Though all the winds of doctrine were let loose to play upon the earth, so Truth be in the field, we do ingloriously, by licensing and prohibiting, to misdoubt her strength. Let her and Falsehood grapple; who ever knew Truth put to the worse in a free and open encounter?"

An Emphatic Grievance

Editor, The Magazine of Wall Street:

For twenty years I have been a customer of various stock-exchange firms in many mid-western cities and for that reason have come into contact with hundreds of traders. So long as I can remember among these traders there always seems to prevail the opinion that the odd-lot houses are continually "gypping" the aforementioned traders.

This statement is not made because "the trade looked bad," but because by closely checking the execution with the tape the "gypping" can easily be detected. On these kinds of trades when the firm with whom you are dealing is "called" they invariably offer the excuse that "errors, of course, will occur and the odd-lot house gladly will correct same."

That the house which originates the business is honest in the matter, is my conviction; but I do not feel that I can say the same thing regarding the odd-lot houses' part toward the transactions. Nothing, I believe, makes a speculator more bitter when he "goes broke" and quits the game than to feel that he was not given a square deal. When one recalls the large number of speculators who never quit ahead, it makes him wonder why the odd-lot houses stoop to such methods when they will eventually be the gainers.

Probably the odd-lot houses make enormous amounts by grabbing the half and full points (not being satisfied with their legitimate ⅛ and ¼ away) on hundreds of trades executed for traders to whom a tape is not available. But I feel it's rather brazen when they are caught at it dozens of times a week by traders watching the tape and still keep relentlessly at the practice.

Perhaps you question why I contend the errors are not mistakes. The fact that out of 50 executions changed in three brokerage houses during a month, 49 of the original executions were against the customers and one against the odd-lot house, make their declarations of "mistakes" look somewhat sinister.

At one time, nine out of ten speculators in the west and middle west confined their activities to commodities; the reverse seems now true. Also state laws of the past few years have all but closed the doors of the grain exchanges. In this very state, if laws were enforced relative to trading which have become laws within the last five years, anyone making a trade in futures could be given a penitentiary sentence. That sounds somewhat absurd; but, I believe, it would prove true.

The writer is not against investment or speculation; on the contrary, I am very much for it. But the time has passed when pit traders and floor men and others can grab off quarters and halves with impunity. They should realize far quicker than the ordinary trader that this practice results only in killing the goose that laid the golden egg.

Also odd-lot houses should remember that, when an order to "Sell 50 Houston Oil 71 stop," which has been entered for two weeks previous, is filled at 69 after the market has opened at 70½, 70, 69¼, commission houses will be unable to convince a trader the execution was an "error." You think it isn't being done? It happens times without number.

In this very city less than three years past a commission house was closed by an inspector for the stock exchange because it was determined they were grabbing fractions from executions for their customers. Anyone ever heard of a member located in New York ever being closed for that offense? Out here it's robbery; in New York it's a mistake.

If the Exchange cares to determine facts for themselves, let them send out an inspector to do some trading in various parts of the country. The evidence quickly will be forthcoming.—T. J. O'N.

Money, Credit and Business

Prospects for Larger Business Volume

Production Increases Moderately—Basic Products in Demand—Price Indexes Point Upward—Business Liquidation Well Over

By H. PARKER WILLIS

WHILE the foreign situation continues to be as doubtful and unsatisfactory as at any time heretofore, the progress that has been made since the opening of January appears to confirm those who believe that a good year's business is in prospect from the domestic standpoint. The early part of January showed a tendency to hesitation, which now apparently is being somewhat relieved, with the result that forward orders are being more actively placed, and that there is an evident disposition to proceed with greater assurance than has been true thus far.

Output in Basic Industry

The general trend of the output in basic industries is now apparently slightly upward. The accompanying diagram, which gives the latest figures compiled in index form as prepared by the Federal Reserve system, shows the trend of the general level of production up to about the end of 1922. It will be noted that a slight drop was shown at the beginning of the present year. This is the state of things to which reference was made in earlier articles, and which aroused the belief in many minds that movements toward recession of output could hardly be held in check. Current figures up to the close of January, although not yet sufficiently complete to permit the compilation of the index, point to the belief that the movement has now resumed its upward trend and will go to higher levels. This trend cannot be indefinitely maintained for reasons which have already been made plain in former analyses and will be referred to presently at somewhat greater length. The point which is interesting just now however is the prospect for a well maintained state of trade during coming months.

Iron and Steel Demand

The state of things is quite well illustrated by the iron and steel industry. Unfilled orders of the U. S. Steel Corporation which fell off 95,000 tons at the last report are favorable. At the same time the production of pig iron has gone on increasing and there is every reason to believe from current indications that the mills will continue to be busy for some time to come. Some estimates place the average activity now as high as 85% of capacity with a higher figure at some certain plants. Optimistic observers assert that the plants would be "running full" if it were not for difficulty in getting labor sufficient to keep them occupied. This may or may not be true. What is undoubtedly true is that the prospects of a good year in automobiles, the placing of continuously large orders for railroad equipment, necessary to restore our depleted transportation systems, and the transference of some foreign orders to this country which would have gone to Germany or France, but for the recent disturbances in relations between those countries, has given an active stimulus to the iron and steel trade which may be expected to continue for some time.

In estimating the effect of this situation on the sotck market, it is well to bear in mind that a good many of the companies are not making money, certainly not in the proportion they ought to make it, with such a volume of business as they have—owing to the continuance of inflated wages and high costs of production pretty generally. This tends to retard advances in values which might otherwise legitimately be expected as an outgrowth of good business.

There are plenty of other signs of growth now available. Coal production appears to have been stabilized pretty well around 11,000,000 tons a week, certainly a high level of output with conditions as they are. Demand for staple products for many uses such as steel continues as already noted, to be large. There are unquestionably activity and good forward orders in the textile trade. Building, after getting somewhat of a setback for a time so far as new contracts were concerned, is apparently disposed to show a greater degree of activity for the spring. The output of a good many kinds of products has been stimulated by reason of the fact that consumers stocks have become exhausted so that they have drawn heavily on retailers who in turn have cut down their supplies and thus have been obliged to place larger orders than they otherwise would. The situation in this regard is well illustrated by the figures for retail sales which have been unusually large for January (as compared with former years). Wholesale trade has also been good with resulting orders reflected in many classes of business. This phase of the business outlook is illustrated by the accompanying diagram furnished by the Federal Reserve Bank of New York and showing the sales of representative stores in the New York district and throughout the country.

Will Prices Advance?

In these circumstances price advances continue to be looked for and yet they are still very limited as has been true during the past six or eight weeks. Advances have taken place in textiles and in some foodstuffs, but the gains are thus far more noticeable in retail prices than they are at wholesale and the current index numbers which are always somewhat behind the immediate moment show a condition of practical stability. The next index numbers will undoubtedly reveal an upward movement and it can quite confidently be said that the trend of prices during the next few months will be toward higher levels, although how rapidly is a matter on which opinions differ and on which there can be but limited certainty. The business man, however, who thinks of "stocking up" is on the average likely to be well protected if his advance orders do not go beyond the current season, since there is no general recession of prices now in sight. There may be shrinkages in individual lines, though even these do not seem likely, certainly in any considerable proportion.

The relative stability of prices is undoubtedly a favorable factor in the situation, showing as it does the demand for credit is not likely to be enlarged by reason of artificial increases in the volume needed to carry business. In this connection it is interesting to observe that the process of liquidation as illustrated by business failures has evidently reached an advanced point. The accompanying diagrams present the movement of such failures up to a recent date with comparisons and analyses, and figures for January show marked recessions below the level of a year ago. This also is an indication of soundness and stability in business which must not be overlooked.

Foreign Trade Uncertain

The uncertainty of foreign trade continues, and the difficulty of making a close estimate of its relation to the general business situation is as great as ever, due to the fact that the Department of Commerce still withholds figures since last October. Precisely what our export trade balance may be is thus necessarily uncertain. Exports have continued on a fairly

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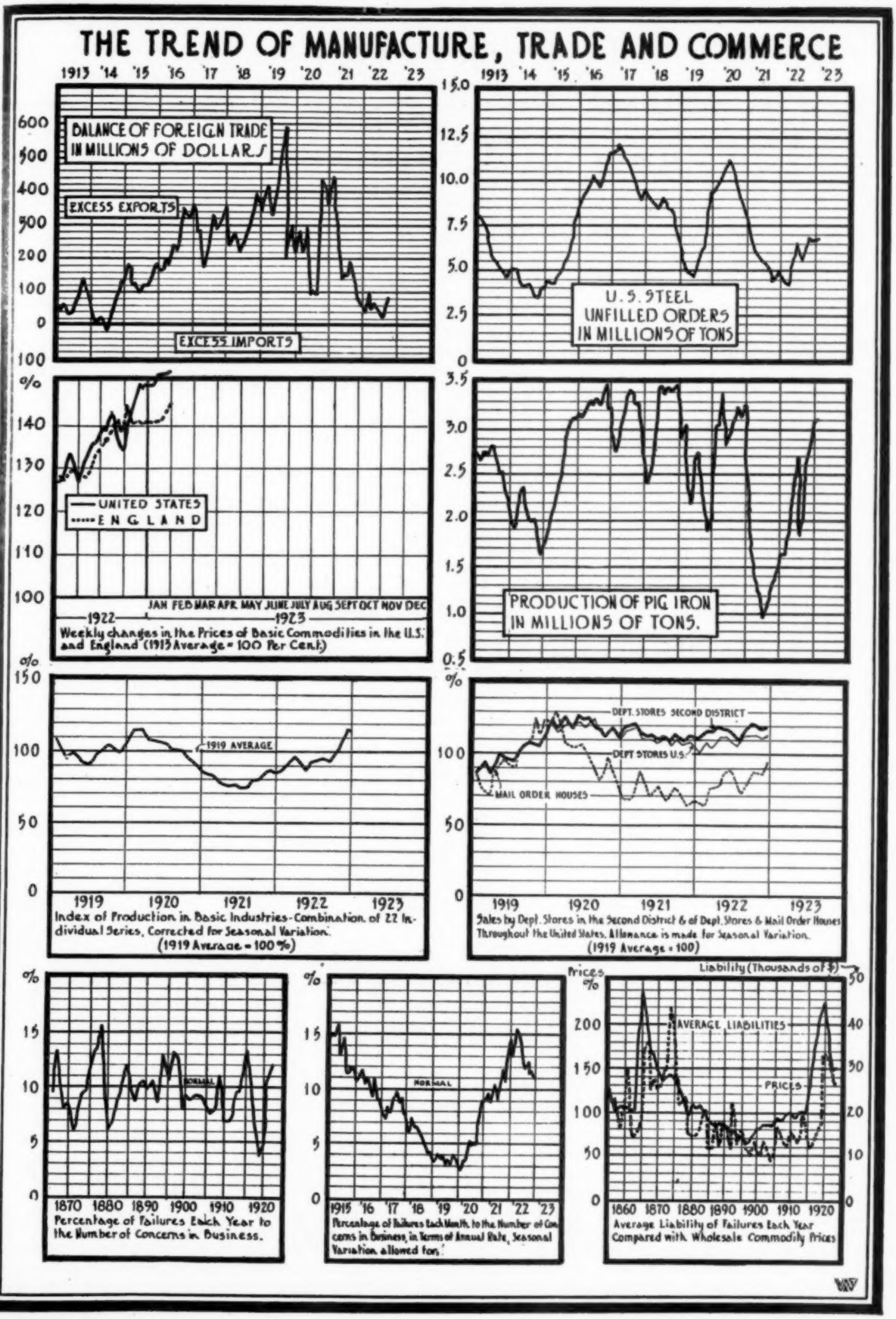
THE TREND OF MANUFACTURE, TRADE AND COMMERCE
BALANCE OF FOREIGN TRADE IN MILLIONS OF DOLLARS
EXCESS EXPORTS
EXCESS IMPORTS
U. S. STEEL UNFILLED ORDERS IN MILLIONS OF TONS
UNITED STATES
ENGLAND
JAN FEB MAR APR MAY JUNE JULY AUG SEPT OCT NOV DEC
1922
1923
Weekly changes in the Prices of Basic Commodities in the U.S. and England (1913 Average = 100 Per Cent.)
PRODUCTION OF PIG IRON IN MILLIONS OF TONS.
1919 AVERAGE
Index of Production in Basic Industries-Combination of 22 Individual Series, Corrected for Seasonal Variation. (1919 Average = 100%)
DEPT. STORES SECOND DISTRICT
DEPT STORES U.S.
MAIL ORDER HOUSES
Sales by Dept. Stores in the Second District & of Dept. Stores & Mail Order Houses Throughout the United States. Allowance is made for Seasonal Variation. (1919 Average = 100)
NORMAL
Percentage of Failures Each Year to the Number of Concerns in Business.
Percentage of Failures Each Month to the Number of Concerns in Business, in Terms of Annual Rate, Seasonal Variation allowed for.
Liability (Thousands of $)
Prices %
AVERAGE LIABILITIES
PRICES
Average Liability of Failures Each Year Compared with Wholesale Commodity Prices

Industrials

Bargains in Common Stocks

Some High-Grade Investment Securities That Are Attractive at Current Prices—What Prospective Buyers Should Consider

By MAX GOLDSTEIN

THE MAGAZINE OF WALL STREET has always maintained that the best and safest way to make profits in the stock market is to think of every thing else first and of market profits last. In other words, if a prospective purchaser is convinced that the security he has in mind is satisfactory from the point of view of record, financial position, earnings, industrial outlook, yield, and the like, market profits can be trusted to take care of themselves, and, if the investor's judgment on the other points has been correct, they are bound to come.

A more satisfactory demonstration of this rule could scarcely be found than the investment list recommended by Mr. Frederick Lewis in the article headed, "In a Class by Themselves," in THE MAGAZINE OF WALL STREET of July 8, 1922. He picked ten common stocks on the basis of their investment merits alone, and recommended their purchase at the prices then prevailing. Since then, we must remember, the market has suffered a sharp reaction of unusually long duration, beginning about the end of October, from which it has only recently recovered. In spite of this fact, the stocks then recommended show the following profits as of February 1:

	Price on July 8 1922	Price on Feb. 1 1923	Points of Profit
Amer. Car & Foundry	163	178	15
General Electric	166	185	19
Liggett & Myers	170	219	49
P. Lorillard	152	170	18
National Biscuit	145	234*	89
Standard Milling	123	145*	22
S. O. of N. J.	185	200*	15
U. S. Steel	99	104	5
F. W. Woolworth	163	208	45
Otis Elevator	133	148	15
Average points per share			31

* Old stock.

In the following study we shall attempt to point out certain stocks which appear to us to be in a strong position from the investment viewpoint although not neglecting the possibilities of market appreciation. Naturally, in looking for strong investment securities, the first thing we are concerned with is the safey of income, involving not only the present position of the company but a consideration of its record in the past. We must, therefore, eliminate all stocks which are not well "seasoned," with a strong financial position, a dividend record reaching back over several years, and so strongly situated in their industry as to render the continuance or increase of their dividends highly probable.

The investor must also consider carefully the question of yield. Not every stock with a low yield is necessarily a safe investment, as the price may be unduly high because of temporary conditions or manipulation. At the same time, he must not be scared away by finding the yield on these investments lower perhaps than in the case of many common stocks or even some preferred issues. The recompense is to be found in the great stability of the income at its present rate, in all the stocks here selected, and the possibilities of increased or extra dividends in many of them. While the average yield of the entire list, at current prices, is therefore as low as that of a well-secured preferred stock, the advantage is in the possibility of increased income without sacrifice of safety, which means also the possibility of increased market price.

In view of the high investment standing of the stocks here chosen, moreover, should money become freer and interest rates decline, their market prices would go up on the basis of straight investment buying alone, if for no other reason. This would enable prices to resist to a great extent the results of a decline in earnings during a period of depression, as during such periods money rates are low and investment securities consequently tend to go up.

Another factor to be considered is the industry in which the company represented is engaged, and the standing of the company within the industry. The possibility of another period of depression in the near future must be reckoned with, and before choosing a common stock for investment one must ask, "How will this industry weather a business storm?", and "Is there reason to believe that this particular company will do better during a depression than other companies in the same industry?" It is evident that in making up an investment list of this type the factor of diversification should not be neglected, as an additional element of safety.

With these things in mind, therefore, we have selected the following common stocks as suitable for the investment of part of the funds of a business man who is willing to take a long-range view of his securities and can afford to take the small unavoidable residuum of risk.

Railroad and Public Utility Stocks

ILLINOIS CENTRAL RR. CO.

One of the Strongest Railroads

This railroad serves the west central and southern territory, radiating out of Chicago as far west as Omaha and as far south as New Orleans. Its traffic range is accordingly well diversified, averaging 50% mineral products (principally coal, copper, iron, lead and zinc), 18% agricultural and animal products, 13% lumber, and 19% manufactures and merchandise. Through ownership of the Central RR. of Georgia it has access to the Atlantic seaboard at Savannah, and a water route to Boston and New York from there through the Georgia Central's subsidiary, the Ocean Steamship Co.

It is one of the oldest roads in the country, having an uninterrupted dividend record reaching back as far as 1860, since when it has always paid not less than 4% and at times as high as 10% annually. The present rate of 7% was established in 1917. It was known as a good earner before the war, usually showing 6 to 7% or better earned on the common each year, and from 1916 to 1918 averaged 12.57%. In 1919, owing to the unusual circumstances surrounding Government control and the transition to private ownership, it showed a deficit before common dividends of 1.3 millions, and the following year a net of 1.4 millions. So confident was the company, however, of its intrinsic strength that it maintained dividend payments unimpaired at 7.7 millions each year, and in 1921 its judgment was vindicated when it closed the year with 9.29% earned on the common. Preliminary figures for 1922 indicate that this was one of the most prosperous years in its history, with about 15% earned on the common.

This was in spite of a preferred stock issue of 11 millions early in the year out of an authorized issue of 50 millions to provide for electrification of the company's lines within Chicago and the reconstruction of its Chicago terminals. As this stock was convertible at par, while the stock has been selling above this figure since March, 1922, it is reasonable to assume that most of the preferred has been converted, especially since it bore only 6%

interest while the common was paying 7%. **The continued high earnings in the past two years, during periods of business ranging from poor to middling good, and the outlook for further high earnings if the farming situation improves, indicate possibilities of a dividend increase, while the continuance of dividends for a long time to come at the present rate seems assured. For this reason the stock looks attractive at current prices around 112, although its yield is only 6.25%**

UNION PACIFIC RR. COMPANY

A Seasoned Investment

Union Pacific is undoubtedly one of the premier railroad systems of the country and its securities for many years have been considered among the best. Dividends on the common stock of this company have been paid without interruption since 1900, a record possessed by few companies in any field of industrial activity. Since 1907, dividends have fluctuated annually between 8 and 12% and for the past few years have been at the rate of 10% annually. Earnings of this company have always been in excess of dividend requirements for many years. Last year, earnings amounted to about $13 a share against dividends of $10 a share. About $4 a share is earned through investment in other railroad properties, leaving only about $6 a share to be earned from railway traffic to make up the full $10 dividend. There is no reason to doubt the companys ability to earn such an amount and the $10 dividend appears safe.

Union Pacific stock is selling at about 137 where it returns a yield of about 7.3% which is exceptionally high for a security of this calibre. The stock sold as high as 154 last year and in years past has sold as high as 200 and over without paying a higher dividend than that now being paid. **From a purely investment viewpoint Union Pacific is underpriced in comparison with other securities of equal merit and may be confidently held in expectation of higher prices.**

AMERICAN TELEPHONE & TELEGRAPH CO.

A Very Attractive Stock

This company controls the Bell System of telephones, which owns or licenses over 92% of the telephone stations of the country. Because of its great earning power and conservative financial policies, it has accumulated large surpluses and reserves, amounting to more than 172 millions at the end of 1921, but more important than this are the huge additions to property made out of earnings by subsidiaries, amounting in the last 20 years alone to over a billion and a half.

Since a large part of the physical assets of the company is thus represented by reinvested earnings, on which no dividends need be paid, and another large part by bonds bearing interest at rates varying from 4 to 6%, it is evident that a return of little over 5% on the actual investment in property will be enough to assure the present 9% dividend rate on the common stock.

Earnings on the common have been remarkably stable, varying between 1912 and 1918 only from $9.38 to $9.97 a share. In 1919, slightly over $10 a share was earned, in the following year the record of $11.72, and in 1921, during the worst of the business depression, $11.10 a share, indicating that the company does not lose much business as a result of poor general conditions. Based on the first nine months of 1922, earnings for the year just past should also be over $11 a share.

The recent increases in capitalization by the floating of 115 millions of additional common, and certain conversions of bond issues, are not expected to result in decreased earnings per share, as there is a considerable unfilled demand for new telephone installations. **Considering all these factors, at 122 the stock seems to be very cheap, paying 9% and yielding 7.38%, a high figure considering the great safety of the current dividend and the more or less remote possibility of further increases.**

Industrial Stocks

AMERICAN WOOLEN CO.

Stock Reaches Investment Status

This company bears about the same relation to the woolen industry as U. S. Steel does to steel, except that it controls a higher proportion of the total output of the country, estimated at 75%. About three quarters of its output consists of worsteds and the rest woolens, so that it has profited considerably by the recent return to popular favor of worsted fabrics. The company was a poor earner before the war, being one of the "trusts" organized around 1899 with heavily watered capital, but it used its war-time profits to such good advantage in consolidating its trade position and building up a strong capital that it kept on earning money making $6.44 per share in 1920, in spite of the poor conditions prevailing the latter part of the year, and increased this to $8.02 in the following year. Last year it is known to have more than covered its dividend rate of $7 a share on the common.

A large part of the company's recent success has been due to the policy of keeping plants fully occupied as much as possible, even lowering prices if necessary, counting on the lower production costs per unit of output to maintain profits. As a result it went through 1922 practically all the year round on a basis of 80% operations or better. It was enabled to do this because of its policy of heavy inventory depreciation in 1920, coupled with the sale of 20 millions of stock for cash, which gave it enough money to buy in considerable stocks of wool at the low prices of the end of 1920 and early in 1921. This has enabled it to quote the attractively low prices which gave it so much business during a season that was disastrous for other manufacturers.

From the record of the company in weathering the 1920-21 stress, it would

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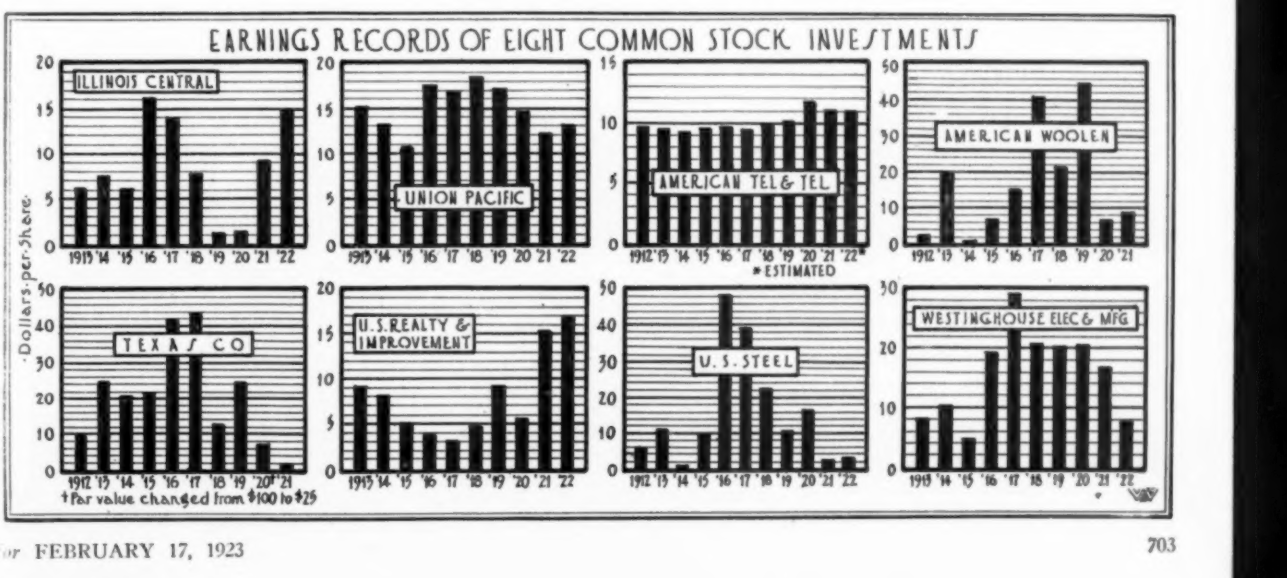


American Can Company

Do Earnings Justify Price?

American's Showing in 1922—Is the $5 Dividend the Last Word?—Market Position of Stock

By JOHN MORROW

WHAT every man knows is that the American Can Company is largely dependent for success upon the canning and packing of all kinds of edibles. During the war period, companies such as American Can were able to take on war contracts and in that way increase revenues and enjoy substantial earnings. Such business, however, was not normal progress along the lines for which the company was primarily and fundamentally designed. After the war, the canning industry went through a period of deflation and depression, but American Can Company was able, in the 1920 and 1921 years, to earn some surplus for the common stock and thus escaped the drastic experiences which so many corporations were forced to undergo. In 1922, the canning business came back with a bound and the American Can Company enjoyed one of the best years in its history and, what is more important, was able to obtain this business from normal sources. Figures showing the increase in the production of canned fruits in 1922 for the whole country, are not readily available, but figures for California production are more or less typical.

For example; almost 15.5 million cases of canned fruits were packed in California in 1922 against 8.5 million cases in 1921 and 13.7 million cases in 1919, which was the previous high record. In late years, a large amount of research work has been carried on by canners and packers in an endeavor to diminish to the vanishing point public mistrust in the use of canned goods, and this work has borne results. Public confidence in canned goods is probably greater than it ever has been and there is a minimum of suspicion against the use of edibles so prepared. Obviously, this has worked for the stabilization of the food container industry.

Measured on a percentage basis, the increase in the business of the American Can Company in 1922 was not sensational. Volume was perhaps 25 or 30% ahead of 1921. At one time, it was anticipated that earnings would approximate $20 a share on the common stock, but it is currently figured that earnings were approximately $15 a share. In 1917, the company earned almost $22 a share, but this was due largely to war business, and in any event is the only year in which the surplus for common shares has exceeded that recorded in 1922.

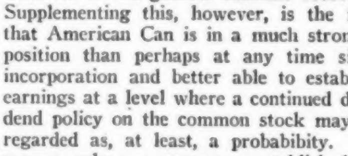
The question of dividends on the common stock had been discussed pro and con for a number of years, but not until November, 1922, when a five dollar dividend rate was instituted, did directors decide to change stockholders' hopes to realizations. In the seven years from 1915 to 1921, total earnings on the common stock were about $60 a share and, as no dividends were paid during that time, asset position was substantially increased. Whereas, at the end of 1915, profit and loss surplus was six million dollars, it was 25 millions at the end of 1921, and in the same period, working capital had increased from 17 millions to 30 millions. There was no change in share capitalization, but funded debt was reduced from 13 millions to 9.6 millions. Property account had risen 10 millions. In other words, during these six years, there was a gradual upbuilding, an upbuilding accomplished through the medium of surplus earnings. At the present time the common stock is selling in the neighborhood of $83 a share and it may be reckoned that since organization in 1901, American Can Company from earnings, has added more than that amount per share to general assets.

Financial Position

For the last few years, American Can has had to resort to temporary financing in order to provide funds for yearly purchase of tin-plate. This financing was accomplished through the medium of self-liquidating short-term bank loans. These loans were interpreted as meaning, by some, that financial resources were perhaps not as strong as might be, and furthermore indicated that a bar to the inauguration of dividends on the common stock existed. It is currently reported that the company went into 1923 with over 35 million dollars working capital which tops, by over one million dollars, the previous high total for working capital recorded as at the end of 1919, but at that time inventories were larger than normal. Of the present assumed working capital of 35 millions over 20 millions are said to be in cash and securities. At the end of 1921, cash and U. S. Government securities totaled 12.6 millions. Because of the present strong current asset position, it is not expected that this year it will be necessary to resort to bank loans in order to finance tin-plate requirements. **This, in itself, is an important factor, showing as it does, that American Can Company has reached the stage where, under favorable business conditions, it is self-financing for normal requirements.**

It is perhaps too early to make any reasonable estimate of the business prospects for 1923, but on behalf of the company, it was stated that in 1922 the users of containers regulated purchases on the basis of consumption and did not attempt to anticipate future requirements. It is possible that they may have been guided in this action, to some extent, by the belief that tin-plate prices might be reduced and that therefore American Can's schedule would be correspondingly cut. The average of tin-plate prices from May, 1922, through the rest of the year held stationary and was under the average for the preceding five years. Predictions, at the beginning of this year by observers of the steel industry, were that the domestic consumption of tin-plate would be greater in 1923 than it was last year. In other words, at the present time, there does not seem to be expectation of reduction in tin-plate levels and, therefore, price stabilization is promised, or at least users of containers may be more inclined to anticipate forward requirements.

Naturally, American Can's business volume is going to be determined by the duration of the general business recovery. Supplementing this, however, is the fact that American Can is in a much stronger position than perhaps at any time since incorporation and better able to establish earnings at a level where a continued dividend policy on the common stock may be regarded as, at least, a probabibity. Of course, when a company established in 1901 did not inaugurate dividends upon the common stock until 1922, there will be some disposition to hold judgment in abeyance, but the policy which American Can pursued, particularly in safeguarding resources when earnings during the war period were unusally large, is a big



point on the right side of the ledger.

Capitalization

The funded debt of the American Can Company consists of 9.65 millions 15-year debenture 5s, due February 1, 1928. These bonds are not secured by a mortgage, but the indenture provides that the company shall not mortgage any of its property or create additional funded debt so long as any bonds of this issue are outstanding. The sinking fund provides that five thousand dollars annually, principal amount, shall be retired. While no official intimations have been given, it is thought, if feasible, that a larger amount will be retired than called for by the sinking fund and, in short, the maturity of the whole issue may be anticipated. Strong financial position affords basis for that belief.

Share capitalization totals 82.46 millions divided equally between the 7% cumulative and common. Dividends were instituted on the cumulative preferred in 1903, but through 1912 only 5% annually was paid, making an accumulation of 2% each year. In 1917, the company cleared off all accumulation against the preferred stock and, as a matter of record, the regular 7%, not including payments against accumulations, has been declared regularly since 1913. Of course, the growth in earning power has substantially enhanced the investment position of the senior shares. They sold as low as 93¼ early in 1922 and are now maintaining a level around 113 where the income return is a trifle over 6%, somewhat more than can be obtained on the accepted highest grade industrial preferred issues.

The rise in the common stock in 1922 was one of the features of the market. In January last year, the shares sold as low as 32¾ and then steadily moved ahead until they registered a high of 88 in February, this year. This is an advance of about 175%, but an advance that was founded on a change in position which demanded fundamental recognition. If a $5 dividend rate were all that was to be expected on the common stock, then a level of between 80 and 85 would seem to be a reasonable one. Book value is between $175 and $200 a share, which leaves nothing to be desired in that direction. If the earnings of 1922 are a criterion of what can be expected from the company in years of normal business activity, then the common stock has further possibilities, and stockholders might expect greater benefits than those contained in a simple $5 dividend rate. This is set forth as a matter of possibility, as there is no information of an official kind to indicate that directors have in mind an increase in the dividend rate or the declaration of extra payments. **The shares will follow the trend of the general market and, while the greater part of the advance probably has been accomplished, there still exist speculative possibilities attractive enough when market weakness offers an opportunity to purchase at some recessions from prevailing l vels. Certainly it seems established that the common is not in any danger of going back to anywhere near the old low prices.**

Preferred Stocks Advance

Some Large Gains in Special Issues—Rest of the List Firm

IN sympathy with the strong investment markets, preferred stocks, as a whole, maintained strength throughout the past two weeks. Several issues listed on the accompanying table made conspicuous gains. Among them were: Cluett-Peabody, Loose-Wiles, Baldwin, Associated Drygoods, Cosden and Sears Roebuck and National Cloak & Suit. Incidentally, it may be remarked that comparison of prices of preferred stocks listed on the Preferred Stock Guide at the inception of this department a few months ago and present prices will indicate that those who had bought these issues in the earlier period could have had very large profits. It is trusted that many of our readers took advantage of these recommendations.

There are still a number of very attractive issues from a speculative investment viewpoint and among them may be enumerated: Philadelphia Company preferred, Baltimore & Ohio preferred, J. Kayser 1st preferred, U. S. Industrial Alcohol preferred and U. S. Rubber 1st preferred. All of these issues are listed on the accompanying table.

Money rates continue favorable for investment purposes and it is to be anticipated that under the influence of abundant investment funds and good industrial earnings many of the preferred issues will ultimately advance to higher levels.

PREFERRED STOCK GUIDE

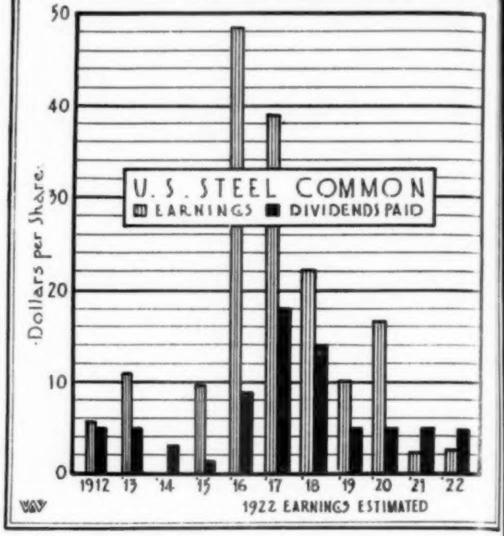
	Div. Rate ($ Per Share)	Appx. Price	Appx. Yield	Dividend *Times Earned
Sound Investments				
INDUSTRIALS:				
1. Cluett-Peabody	7 (c.)	107½	6.5	4.5
2. General Motors (debs.)	7 (c.)	97¼	7.1	(y) 5.4
3. American Woolen	7 (c.)	110¾	6.3	2.9
4. Loose-Wiles (1st pfd.)	7 (c.)	110¾	6.3	3.5
5. American Can	7 (c.)	112½	6.2	2.2
6. Baldwin Loco	7 (c.)	115½	6.0	5.4
7. Endicott-Johnson	7 (c.)	114	6.1	(x) 4.0
8. Standard Oil of N. J	7 (c.)	116¾	5.9	5.9
9. Allied Chem. & Dye	7 (c.)	109¼	6.4	(w) 4.5
10. Standard Milling	6 (n. c.)	95	6.3	4.6
PUBLIC UTILITIES:				
1. North American Co	3 (c.)	46	6.5	(x) 5.0
2. Philadelphia Co	3 (c.)	42¾	7.0	5.7
RAILROADS:				
1. Ches. & Ohio (conv. pfd.)	6.50 (c.)	102	6.3	(z) 6.6
2. Baltimore & Ohio	4 (n. c.)	59	6.7	3.0
3. Chi. & N. W. (part. pfd.)	7 (n. c.)	116⅞	5.9	6.3
4. Colo. & Southern (1st pfd.)	4 (n. c.)	58¼	6.8	8.2
5. Reading (1st pfd)	2 (n. c.)	54¼	3.6	13.7
Middle-Grade Investments				
INDUSTRIALS:				
1. Genl. Amer. Tank Car	7 (c.)	101¾	6.8	(v) 5.7
2. Assoc. Drygoods (1st pfd.)	6 (c.)	85½	7.1	2.7
3. J. Kayser & Co. (1st pfd.)	8 (c.)	101¼	7.9	1.8
4. Brown Shoe	7 (c.)	97½	7.1	3.1
5. Amer. Smelting & Ref	7 (c.)	100⅜	6.9	2.5
6. Allis-Chalmers	7 (c.)	94⅜	7.4	3.2
7. Beth. Steel (conv. pfd.)	8 (c.)	109	7.3	6.9
8. Bush Terminal Bldg	7 (c.)	98	7.1	1.1
9. U. S. Ind. Alcohol	7 (c.)	98⅛	7.1	8.9
10. Natl. Cloak & Suit	7 (c.)	104	6.7	3.0
11. American Sugar Ref	7 (c.)	107	6.5	1.8
12. Cosden & Co. (conv. pfd.)	7 (c.)	107	6.5	(x) 14.6
13. Sears-Roebuck & Co.	7 (c.)	111	6.3	15.7
14. Cuban-American Sugar	7 (c.)	101	6.9	8.0
RAILROADS:				
1. Pere Marquette (prior pfd.)	5 (c.)	73¼	6.8	3.3
2. Colo. & Southern (2nd pfd.)	4 (n. c.)	52¼	7.6	7.2
3. Chic., R. I. & Pac	7 to 5 (c.)	92	7.6	2.2
4. Pittsburgh & W. Va	6 (c.)	92	6.5	2.0
Semi-Speculative Investments				
INDUSTRIALS:				
1. Famous Players-Lasky	8 (c.)	96	8.3	(w) 6.4
2. Mack Trucks, Inc. (1st pfd.)	7 (c.)	94	7.4	1.5
3. Worthington P.&M. ("A" pfd.).	7 (c.)	85	8.2	6.6
4. U. S. Rubber (1st pfd)	8 (n. c.)	101½	7.8	2.6
5. Fisher Body of Ohio	8 (c.)	99⅛	8.0	...
6. Orpheum Circuit	8 (c.)	86	9.3	3.1
7. Cal. Petroleum (part. pfd.)	7 (c.)	97	7.2	(w) 2.6
8. Pure Oil (conv. pfd.)	8 (c.)	99	8.0	6.0
9. Stern Bros.	8 (c.)	115	6.9	.8
PUBLIC UTILITIES:				
1. Market St. Rwy. (prior pfd.)	6 (c.)	67	8.9	2.5
2. Amer. Waterworks (1st pfd.)	7 (c.)	90	7.7	(w) 1.5

(n. c.) Non-cumulative. (c.) Cumulative.

* Average for last five years. (v) Average for last four years. (w) Average for last two years. (x) Average for last three years. (y) Average for last four years. (z) Stock was issued this year. Figures represent number of times dividend would have been earned had stock been outstanding.

U. S. Steel and 1923

Four Important Factors Operating on the Business and Dividend Prospects of the Big Company



By C. D. KING

Note: This article, highly interesting and valuable in itself, contains added significance, because of the intimate knowledge that the author has of the inside workings of this huge industrial enterprise.

A FORECAST for any year is a thankless task at best, and such prognostication for 1923, with manifold conflicting conditions and difficulties to surmount, must necessarily repay the prophet with hectic criticism for his temerity.

In treating of U. S. Steel for the coming year, there are outstanding four salient features that will determine the measure of its prosperity, viz., labor, coal, transportation, and foreign conditions. Such disquieting influences as radical legislation, rising prices and other factors visible to either sight or imagination, will play their part in importance only as business men will estimate them at true value.

The Labor Situation

Last year, operating at a stage between 70% and 80% capacity, the Corporation managed to maintain its highest rate of production in the face of the most serious labor shortage. When the coal situation was temporarily alleviated by an agreement, in order to meet the new labor shortage created by the opening of mines, a 20% increase in wages was declared by steel interests. This, for the time, held sufficient men at the mills to permit an increase in production from midsummer around 50% or better, to that of over 80% at the conclusion of the year. We may consider then that the average production of the Corporation was very close to 70% for the year, and this is in the face of a gradual decline in available labor supply.

At the present writing, the condition is becoming more acute, and only by the marvelous flexibility of its organization, is the big concern managing to keep its capacity to a high degree. It is obvious that the labor supply is hardly equal to the demand at the present time, and any increase in production must necessarily meet with a definitely declining labor supply. It is not difficult to find the so called vanishing point, for that had already transpired. In short, greater production cannot be expected than is shown this day, which is estimated between 80% and 85%, with possibility of higher production for short periods, due to excessive pressure and special conditions.

Are there hopes for a new labor supply to tide over a year which promises so well at its inception? It is granted that the policy of the government in restricting immigration on a 3% basis has been the greatest factor in this present crisis. Even were this measure revoked, it could not possibly bear fruit until the latter part of the year, if then. Labor contract in such an event by American business in Europe **might** solve this to some extent, but in no case do we see any source of labor, from which we could supply the needs of business in its expansion for this year.

To be sure there is always one shot left in the gun as far as the Corporation is concerned, and that is their acknowledged ability to outbid others for labor. This, however, is at best but a temporary relief, soon discounted by others, leading to new causes for weakness in the undermining of sound business conditions by insidious rising costs for labor, fuel and finished products, higher costs, and the everlasting cycle of boom and depression. In summing up the labor situation, it is therefore obvious that production will be measured to a great extent by available labor, and though we can hold no fond hopes for a great increase in production, still the output should be maintained at the present figure or slightly better for the whole year, all other factors being equal.

Coal Conditions

In dealing with the influence of coal conditions on the steel business there is one vital factor to be considered besides the mere tonnage of coal on hand at plants for fuel and power purposes, and that is fuel costs. Both are to some degree dependent upon the decision reached by operators and miners in their annual burlesque. At present, we are facing signs of some progress in coal supply for restocking purposes, a matter depending practically on car supply. Healthy manifestations of a recovery in coal are shown by the increased tonnage mined and shipped each week. There is untold advantage to the Corporation over most independent concerns in the matter of coal supply, being practically self supporting. Therefore as far as this company is concerned, they can be affected only by cessation of operation at their mines due to lack of labor, or strike. The matter resolves itself down to this issue; will there be a strike this spring or an agreement? That the matter has undoubtedly arrived at some happy conclusion is evidenced by recent reports, and there is every reason to feel that there will be no trouble from this source. The lesson learned by operators, miners, and public has been a costly one, but will bear fruits in a mutual understanding of the necessity of considering the country and its industries, as well as their own immediate ends. Public opinion, should all else fail, will determine the question, and a year spent in suffering from actual want of coal, both in the form of domestic consumer and stagnation of industry with its wake of hardship, will resolve itself into a formidable judge.

If the past years have shown an apathetic public on strike issues, it can be laid to the shortsighted reasoning which considers such affairs as of no immediate importance to itself. The fact that the public was reached in the form of higher prices was something that few cared to consider, and if recognized, to be accepted as the fate of American citizens in a tranquil manner. When the government resorted to an income tax that touched practically all wage earners, many men realized for the first time that it was not abnormal for one to have an interest in public affairs, since it touched his pocketbook directly, and when the coal strike caused a critical shortage of fuel for consumers, at last the calloused hide of the public had been pierced, and a distinct, conscious realization of their part in industrial affairs was engendered.

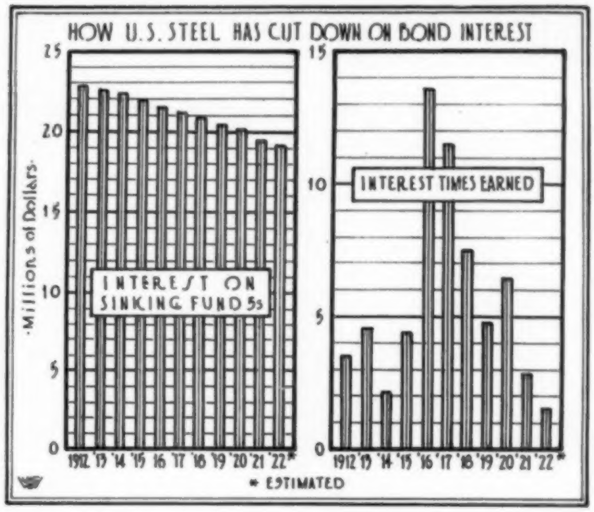
It is the pathetic case of indifference until the pocket has actually been touched and depleted by direct methods instead of devious routes. We can rest assured that an aroused public is a dangerous matter for either miners or operators, and even though matters had not progressed favorably in their own channels, outside influence in this guise will prove a potent factor in arresting any unfavorable development.

The car situation in sofar as coal is concerned shows rapid signs of improvement and should continue so with accelerated speed owing to the seasonal demands of the coal industries. Everything points to a sure resumption of firm conditions in the coal industry, limited only by both the transportation and labor problems, the former being sound and the latter spotty.

Traffic Facilities

The tremendous orders now booked by railroads for rails, cars, engines and other equipment, presages a considerable improvement in the carrying facilities for 1923, which will be reflected in the improvement of all business and industry. The critical shortage of the last few months of 1922 has been somewhat ameliorated, and at present there is no reason for interruption in this gradual improvement. The extreme demands placed on rails during this chaotic period due to the demand for immediate moving of accumulated stocks of coal, steel, machinery, and other products, have softened down considerably, and what few peak loads remain for the rails to face, will be encountered with greater temerity because of their aggrandized physical strength. To ask of the rails the ability to carry on, when weak, a greater load than normal is quite different from the demand to take care of an increased freight when strong. That is the situation for 1923 for rails from a physical aspect, and though there are conditions existing today as shopmen's strike and labor shortage, the one will be solved as all obstacles are solved, and the other will prove to be a limiting factor at most. All in all, the rails should prove to be in better position than for many a year, and their part in the prosperity of steel business will be exerted by a policy that guards against killing the goose of the golden eggs in the form of rates commensurate with growing business and intelligent treatment in avoiding throttling business with exorbitant rates.

In treating of the foreign situation, the political aspect will not be considered, since this country has learned that the omnipresent crises, occuring with monotonous regularity, affects us but temporarily and is straightway discounted. Though setbacks to some minor degree come through such manifestations in Europe, the sum and substance proves that we are dependent upon our own conditions for future business as regards a normal year, and if industry is based on a sane and healthy structure, it is assured of a steady, progressive success. Of a certainty, an increase in foreign orders would be welcomed by the Corporation, and would change the complexion of steel business from fair to very good, and perhaps excellent, depending on how far other conditions might limit production. Last year showed that but 6% of steel was exported as was compared with normal years, and in this source of information there is that peculiar Balm in Gilead that export business for 1923 in steel products cannot be much worse, and if there occurs any change, it can only be for the better. Though the start of this year shows some betterment in various steel products exported, it is an open question whether such progress will be sustained. The foreign situation as far as steel is concerned is very dubious, with bare chances of slight improvement in this regard. It would be nothing short of foolish to hide these clouds from ourselves, but at the same time overemphasis on the bad features is almost as injurious to business morale as an overabundance of optimism. Our hopes are therefore rather dubious, and if we cannot expect a radical improvement in steel export, conservatism does not necessarily preclude the possibilities of a moderate growth over that of last year.



Financial Position of U. S. Steel

The strong cash and surplus position of the Corporation has led many people to believe that there will soon be a distribution of such moneys in the shape of cash extra dividends. Though the Corporation has, since its inception, shown a marvellous growth in productive ability from some 9,500,000 tons to 23,000,000 tons ingot capacity, and though the fixed charges and funded debt has actually been decreased, and even though the surplus has assumed gigantic figures, it is hardly in accordance with their past policy to immediately declare extra dividends in the face of two bad years.

Such a policy, even though one that would not affect its cash position, would of a certainty reflect considerably on business acumen of those that lead the destinies of the big concern. It has been obvious that every new move made by the Corporation has always been of that type that reflected credit upon itself as well as establishing a sounder basis for business as a whole by the very strength of its own influence in industry. In short, no measure of this nature, an insidiously dangerous one, in the face of two lean years, can be expected now.

A review of the prospects of the company for the year as based on the four factors above named, will show us that prospects in earning power should be good. Should an 80% production be maintained for the year, and every reason points to such a condition or a slightly better one, the end of the year should show divi-

(*Please turn to page* 742)

STEELTOWN AT NIGHT

The flares of the huge steel furnaces, overhung with a pall of smoke that blots out the stars at night, indicate the increasing activity of the industry

Otis Elevator Company

A Company Rich in Resources

Earning Power of Otis Elevator — Financial Position—Market Outlook of the Common Stock

By FREDERICK LEWIS

OTIS ELEVATOR, under THE MAGAZINE OF WALL STREET system of rating, is given a total of 28 out of a possible 30 points which is a very high rating for the stock of an industrial corporation. It is the dominant factor in its industry and has little to fear by way of increased competition. The demand for elevators is a more or less steady one and there is apparently no reason to anticipate other than a continued growth in the volume of the company's business in the future. As a matter of fact, since the formation of Otis Elevator in 1898, it has never failed to show a profit in any twelve-months period and even during the periods of pre-war and post-war business depression, the business of the company was not adversely affected.

Earnings have shown a steady growth, the improvement being particularly noticeable in the past five years. Volume of business is of course dependent to a large degree on the activity of the building industry. In this connection, it should be noted that increased profits of elevator-manufacturing companies, due to greater building activity, are not reflected at the same time in which the activity occurs. In other words, the splendid showing made by the building industry in 1922 will be largely reflected in the 1923 report of such companies as Otis Elevator.

Based on the report of earnings covering the nine months ended September 30, 1922, Otis Elevator, for the full year 1922, should show approximately $13 a share earned on the stock and for the reason just given, the year 1923 can be expected to make a still better showing. In fact, in the case of this company, there is a good basis for looking still further ahead. A careful survey of the building industry quite definitely establishes the fact that new construction for 1923 will not fall below that of 1922 to any appreciable degree which indicates a period of prosperity for Otis Elevator lasting through 1924.

The policy of the management has been conservative in regard to dividend payments and, as a result, a very strong financial condition has been built up. Although in past years the company's bank loans reached sizeable proportions, working capital has since grown so substantially that it is now able to conduct its business without borrowing. Balance sheet as of December 31, 1921, showed working capital of 13 millions, ratio of current assets to current liabilities being approximately 14 to 1. Government securities owned totaled 4.3 millions. Since that period there has been further strengthening of finances and it can readily be seen, therefore, that the company has ample working capital to run its business and that the management would be entirely justified in paying out a large part of surplus earnings in dividends to common stockholders. It has gone through a long period of building up its asset position and has now arrived at a point where this policy need not be followed to the same degree.

It was not until 1920 that the company decided to give more consideration to the interests of common stockholders. In that year, the stock was placed on an 8% basis and in January, 1921, a 50% stock dividend was paid. The 8% dividend has been maintained on the increased capitalization. Just before the stock dividend was paid the stock was selling around 135 so that at present levels of 145 it has already made up the amount of the stock dividend and ten points in excess of that.

In addition to an extensive plant system in this country, the company has built up a foreign representation of impressive proportions, including entire or majority stock interest in operating companies in Canada, England, France, Germany and elsewhere. Comparatively meagre results have been obtained from these sources during the period of the war but evidences are multiplying that the foreign companies are in line for enlarged markets and should eventually prove a good source of earnings for the domestic company.

Capitalization consists of 6½ millions 6% non-cumulative preferred stock and 14¼ millions common stock of a par value of $100. The company is entirely free of funded debt, the last of which was retired in 1920. Good will, patents, etc., are carried on the balance sheet at $1. As of December 31, 1921, book value of the common stock, after allowing for

the preferred stock at par, was $124 a share. Of course, the good will and patents of the company could conservatively be valued at several millions of dollars and, in addition, the value of the plants and equipment have been written down to a decidedly low figure.

There have been rumors from time to time that the company would make a change in its capital structure and split up the present $100 par value stock into new shares of $25 par value. This report, however, has recently been denied by the management. Profits and loss surplus is now in the neighborhood of 3 millions, so that a small stock dividend could be declared, although this is not looked for in the immediate future.

The 6% preferred stock is very high-grade as there is no funded debt ahead and net liquid assets of the company alone are equal to $200 a share. At present levels of 103, however, the stock only yields 5.82% and, while a good investment, does not offer material possibilities for appreciation in value.

At present prices of 145, the common stock only yields 5½% and has already discounted a higher dividend rate. The stock is 60 points above the low price reached in 1921 and, while the outlook for the company is very favorable, it would appear that the major portion of the advance to which the stock is entitled, on the improvement to date in the company's affairs, has already taken place. **It is a very strong company, however, with a definitely assured future and the stock even at present levels is not unattractive from a long-pull viewpoint.**

HOW OTIS ELEVATOR IS RATED

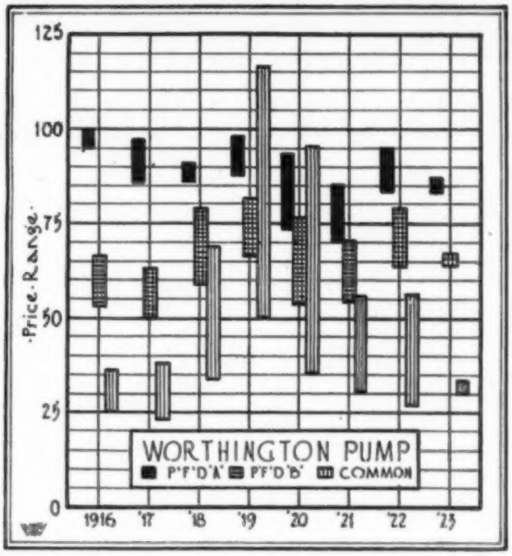
Element	Qualifications	Rating	Rating No.
(1) Character	Important industry	Good	4
(2) Past Record	No unprofitable periods	Excellent	5
(3) Future Possibilities	Main factor in field	Excellent	5
(4) Management	Conservative	Excellent	5
(5) Financial Strength	Large working capital	Excellent	5
(6) Earning Power	Stable	Good	4
Maximum Number of Points, 30.			28

Worthington Pump & Machinery Corp.

War Bride, or Sound Earner?

Status of Worthington's Earnings and Prospects for the Three Classes of Stock

By H. FRANKLIN



TO say that 1922 was a year of industrial recovery is a true characterization of that twelve months, and yet, in some respects it is a generalization and subject to special qualification. Practically every industrial corporation, if it did not succeed in restoring earnings, at least succeeded in improving financial position to a point where the question of inventories and bank loans was no longer a factor. One of the relatively well known industrial corporations which found 1922 a year of improving financial position, but not a year of rapidly improving earnings, was the Worthington Pump & Machinery Corporation. The fact that this company did not show particularly substantial earnings in 1922 is not stated in the way of criticism, because circumstances prevailed which dictated the volume of business, beyond managerial power to regulate.

One of the principal sources of revenues of Worthington Pump is the manufacture of ship's pumps and marine engines. Practically everyone who follows the business situation even casually knows that the shipping industry was hard hit in 1922 and has not yet begun to show signs of definite recovery.

Worthington is the successor to the old International Steam Pump Company, the present corporation emerging from a reorganization in April, 1916. The period was highly propitious and Worthington soon became one of the companies which found war business much to its liking. In the four years from 1916 to 1919, inclusive, total earnings upon the common stock exceeded $83 a share but during that time no dividend disbursements were made on the junior shares, so that an excellent surplus was accumulated. While the absence of dividends during this period of unusual prosperity may have been at that time disappointing to shareholders, the conservation of resources has stood the company in good stead during the post-war period of depression and during the long wait for the restoration of earning power.

Making marine pumps—one of Worthington's main sources of income

Current Position

In the first half of 1922, earnings were in moderate volume and a small operating profit was shown. After the payment of preferred dividends which require about 500 thousand dollars for a six months period, a substantial deficit was incurred. After the turn of the half year, business began to improve and by December this improvement had reached a point where it was decided. In fact, it was reported that late in 1922, net earnings were at a rate which not only took care of preferred dividends, but which showed some balance for the common stock. In view of the fact, however, that there was a deficit of perhaps 500 thousand dollars for the first half of the year, it will be quite satisfactory if this deficit was made up during the second half of the year.

In 1921, there was a deficit of 2.2 millions after inventory write-down of 1.4 millions. A word here in connection with the company's profit and loss surplus. As of December 31, 1916, profit and loss surplus was $670,000. At the end of 1920, this had increased to 4.6 millions. During the same time, a general reserve of 5 millions had been set up. At the end of 1921, the general reserve fund remained unchanged, the profit and loss surplus had dropped to 2.5 millions.

This is really not a particularly unfavorable feature, when the rough treatment suffered by profit and loss surpluses of many of the industrial corporations is considered. According to the statement of current liabilities, it was not necessary for the company, at any time, to resort to bank loans and even at the end of 1921, current assets of almost 21 millions were in the ratio of about 5¾ to 1, cash, or its equivalent included in current assets, exceeded the total of current liabilities. At the end of 1922, current liabilities were far less than half the cash on hand which totaled about six million dollars.

Summarizing, it may be said that Worthington Pump is one of the companies which managed, through the business depression, to keep financial position relatively strong and to maintain a treasury condition adequate for all purposes. On the other hand, earnings in 1922 did not compare favorably with the earnings of many of the other industrial corporations, but this somewhat disappointing fact is doubtless largely due, as has been indicated previously, to circumstances over which the company had small control.

Conclusions

Worthington has practically no funded debt, capitalization consisting of three classes of stock—two preferred and one common. The preferred shares are divided into Class "A" 7% cumulative and Class "B" 6% cumulative, but Class "A" has no preference over Class "B" except as to the dividend rate. Regular dividends upon the Class "A" have been paid since the organization of the present company in 1916 and upon the Class "B" since 1917. These dividends were earned with big margins to spare from 1916 through 1920. The deficit in 1921 was overcome by the application of accumulated surplus.

At present both classes of preferred stocks may be bought at levels where the

(*Please turn to page 753*)

Brown Shoe's Dividend Prospects

Improvement in Financial Position of Company— Rate of Earnings and Market Position of Securities

By FRED L. KURR

BROWN SHOE CO., INC., is one of the fortunate industrial corporations which through an efficient organization has been able to retain the greater part of the increased business which came to it as a result of the war and inflation periods. When the demand for shoes was heavy, the company enlarged its selling territory, and wherever its product was once introduced a demand has continued.

Before 1916, net sales ranged from 10 to 15 millions whereas they are now close to 30 millions, and even in the period of depression in 1921 did not fall below 22 millions. This indicates that the company has a good product and a splendid selling organization. Brown shoes can now be purchased in nearly every town in the United States. The company's plants are located in St. Louis and in nearby Missouri and Illinois towns. Altogether, the company owns and operates 13 plants for the manufacture of shoes and leases a large plant for the manufacture of paper boxes. Including its two distributing houses, it has a combined floor space of about 30 acres, with a capacity of producing 35,000 pairs of shoes per day.

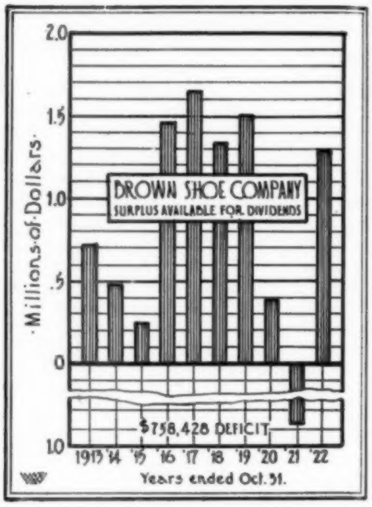
As can be seen from the accompanying graph, Brown Shoe has shown a consistent earning power over the past ten years with the single exception of 1921 when a deficit was reported. As a matter of fact, the company had a good operating profit in that year, the deficit being due to charges for inventory depreciation which totaled over 1½ millions. In the fiscal year ended Oct. 31, 1922, the company came back in a very convincing manner, surplus, after payment of preferred dividends, being equal to nearly $11 a share on the common stock. As nothing was paid on the common, $922,824 was put back into the property and as a result the company's financial condition has been strengthened and its plants and equipment are in the best condition in its history.

Finances

Bank loans at the close of the year were 3½ millions which is not large in view of the volume of business the company has been handling. They are, however, considerably under the average of the past five years. The ratio of current assets to current liabilities is approximately two and one-half to one.

Working capital of 8.3 millions is large when it is considered that total capitalization is only 13.6 millions, consisting of 5.2 millions 7% cumulative preferred stock and 8.4 millions common.

As of Oct. 31, 1922, book value of the company's common stock was $65.80 a share which is after deducting trade name, good will, patent rights, etc., carried on the books at nearly 5 millions, outstanding preferred stock at par, and all liabilities. The actual asset value of the common is undoubtedly considerably in excess of this figure as the company carries plant account at a very conservative figure. In



1912 when the company was incorporated, plant account was carried at 1½ millions and it now stands at 1.4 millions in spite of the fact that during this period four new shoe factories, numerous additions and betterments, together with necessary machinery, lasts and equipment have been added, enabling the company to more than double its output. Lasts, dies and patterns have been reduced by gradual amortization to $1 and prepaid interest, insurance, etc., are carried at $1. It can be seen, therefore, that present market price of the stock of around 60 is well within the value of the net assets, making no allowance for good will which in this company is undoubtedly justified in valuing at several millions.

Profits

Of the $1,289,799 net profits shown in the year ended Oct. 31, 1922, $255,225 resulted from the first six months operation and $1,134,574 from the last six months. This indicates that the company's earnings are on the upgrade. Operations at the present time are on a satisfactory basis and the outlook is that 1923 earnings will make a better showing than last years.

The 7% cumulative preferred stock has paid dividends without interruption since the organization of the company at the rate of 7%. Upon liquidation, merger or consolidation of the company it is entitled to receive $120 a share before the common stock can receive anything and is redeemable at that figure. In view of the fact that there are no bonds ahead and

(*Please turn to page* 739)

BROWN SHOE CO., INC.

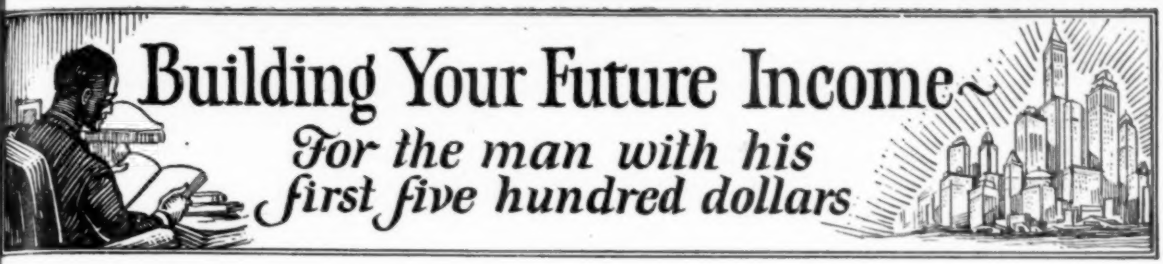
Financial Position

CURRENT ASSETS

	1919	1920	1921	1922
Liberty Bonds	$258,860	....	....	....
Inventory	10,844,696	$8,096,157	$5,023,206	$5,838,258
Receivables	7,109,971	8,913,536	6,858,491	7,566,217
Cash	303,064	861,011	636,293	619,760
Total	$18,516,591	$17,870,704	$12,517,990	$14,024,235
CURRENT LIABILITIES				
Accounts payable	$1,981,626	$1,343,682	$1,436,906	$1,490,010
Accrued accounts	33,363	31,719	24,500	28,000
Notes payable	5,800,000	7,330,000	2,900,000	3,500,000
Tax reserves	2,325,000	650,000	610,000	710,000
Total	$10,139,989	$9,355,401	$4,971,406	$5,728,010
NET WORKING CAPITAL	$8,376,602	$8,515,303	$7,546,584	$8,296,225

HOW BROWN SHOE CO. IS RATED

Element	Qualifications	Rating	Rating No.
(1) Character	Essential industry	Excellent	5
(2) Past Record	Consistent earner	Good	4
(3) Future Possibilities	Business growing	Good	4
(4) Management	Progressive	Good	4
(5) Financial Strength	Substantial working capital	Good	4
(6) Earning Power	Increasing	Good	4
Maximum Number of Points, 30.			25



True Talk

TO BE BORN wealthy reflects no credit upon the individual. But to rise from poor or middling circumstances to Financial Independence is the mark of a Man. ☞ "Whoever invented interest was a very clever fellow," remarked a famous financier. ☞ A still cleverer fellow would be the one who could arouse interest in interest in the general public. ☞ We see the banks, which "content" themselves with interest, grow wealthier and more powerful, year by year. And yet, like the mice that ignore crumbs within easy reach and return to the trap in which they have seen their comrades caught, we turn up our noses at the **sure** way to improve our fortunes and choose the quicker way. ☞ To start at age 30; to invest twelve hundred a year; to re-invest principal and interest at 6% so that you benefit from semi-annual compounding: That will give you a capital of over thirty thousand dollars by the time you are forty-five. ☞ And the forty-five-year-old man with thirty thousand dollars is—one man in a hundred. ☞ In fact, we cannot afford to follow any investment plan and become wealthy, unless we are also willing to become conspicuous. ☞ Nothing is much rarer than the man who lives within his income while he is young; unless it be the man who has an income to live on when he is old.

The Doctor's Dilemma

Or: How I Prescribed for a Doctor of Medicine

By A. MANTON CHACE

I HAD the satisfaction, recently, of being called in to prescribe for—a doctor!

He wasn't sick. On the contrary, at the energetic age of 35, he was an exceedingly healthy and robust specimen. Neither was there any illness, or prospect of illness, in his family. His wife, age thirty; his little daughter, age six; and his little son of eighteen months—they were all as well and strong as he was.

No—the doctor called me in to prescribe something very different from tonics or pills (although some of the prescriptions I deal in have been known to act as a better tonic than any other you could buy!) He called me in to prescribe *Protection*. Protection for his family of dependents, in case any misfortune occurred to him; protection for himself and his wife, in case he lives—as he probably will—past the age of earning power. In short, he was in search of an Insurance Program that would supply this protection, one that would cover all important contingencies, and one which he could afford to live up to. That was the sort of prescription the doctor wanted from me.

As soon as I had "taken the case," I explained to my "patient" that he would have first to supply me with all the intimate details of his financial life. I made it clear that this knowledge was absolutely necessary, just as knowledge of symptoms would be necessary if he were to undertake to prescribe in a case of bodily illness for somebody else.

The doctor saw the point and readily supplied the information. And, as his story unfolded, I realized that it was a most interesting case. In fact, it was so interesting that, at my first opportunity, I determined to re-tell it to the readers of THE MAGAZINE OF WALL STREET, convinced that they would desire to hear all about it, while not a few of them might find the prescription that was finally drawn up one that they, too, could apply with benefit.

In what follows, I give the facts.

The doctor's income in 1921, the last previous year, had been $10,534. Included in this income had been $7,954 obtained from his practice and $300 from investments in securities.

Shortly before I became interested in his case, he had been forced to buy the building in which his office was situated to permit him to maintain his location. This cost him $18,000. Of that sum, $9,000 had been placed on 1st mortgage, at 6%, and required an annual amortization charge of $450.

The doctor had then rented out all the space in this office building not occupied by him, undertaking to provide his tenants with heat and janitor service. The rentals yielded him a total gross income of $2,280, against which he had the following charges:

Taxes	$391
Mortgage Reduction	450
Coal	495
Maintenance and Repairs	300
Interest on Mortgage	540
Insurance	18
Miscellaneous	50
	$2,244

(Please turn to next page)

His life insurance investments at the time consisted of: $2,000 20 Payment Life, Phoenix Mutual, Premium $60.00; $2,000 20 Payment Life, Equitable, Premium $56.50; $6,000 Straight Life, Equitable, Premium $188.40; $10,000 Endowment, U. S. Gov't., Premium $261.60; the total value of these policies being $20,000 and total premiums $566.50.

That was his position. Now to explain how we analyzed that position, and the insurance program we finally drew up.

The General Policy

Those who have read previous statements of mine in these pages are familiar with the general policy I pursue. They know that, in attempting to work up an insurance program, I make it a practice, first, to determine the various types of policies best suited to the case; and, second, to determine the face amount of such policies which the client, with his particular income, can reasonably expect to carry. Then, I total up the cost of such insurance, and deduct that cost *plus the amount of money it seems wise for him to save from his gross income.* What is left over I try to budget out for him, apportioning more or less set proportions to rent, food, clothing, etc. In other words, where it is sometimes the policy to total up running expenses, exclusive of insurance and savings, deduct them from total income, and *then* utilize what is left over for insurance and savings, I go the other way 'round. The *first deduction I make* is insurance and savings, and what is left over I apportion to running expenses.

According to this plan, then, I studied over the insurance policies the doctor already held, to see how—if at all—they could be improved upon, or amplified. Obviously, there is not space enough here to go into all details of our analysis and recommendations, so I shall have to, compress them into as few lines as possible. Here they are:

Protecting His Wife

I pointed out to the doctor that, in event of his death, his widow's first need would be an immediate supply of cash with which to meet such expenses as might be incident to his last illness. And my first recommendation, therefore, was that he set apart his $2,000 Equitable policy for this special purpose, labeling it his "Cash Clean-Up Policy."

The next need to be anticipated in the event of his death, we reasoned, would be a cash sum of sufficient proportions to permit a considerable reduction in the mortgage on his office building. "The margin between your income from that investment" I argued "and its carrying charges is very small. The mortgage in its present size, therefore, would become a constant menace to your widow. But if you provided for a reduction in the mortgage in case of your death, the menace would disappear altogether, and in place of it your widow would have an assured source of income. Suppose we arranged for such a reduction as would bring the carrying charges down to around, say, $1,500: In that event, what with the additional rental to be obtained from letting out the offices you now occupy, she might secure an income of upwards of $100 a month." This seemed like good logic, so it was decided that a cash sum should be provided for the purpose.

Obviously, our third obligation was to devise some way of providing additional protection for his wife, to supplement the $100 a month described above and assuring her ability to maintain a comfortable home. In this connection, his U. S. Government policy would play a part: It would pay his widow $57.50 a month for 20 years. But that, of course, was still too little. It was necessary to secure considerably more income for her if she was to be able to live in decent comfort.

Toward this end, we adopted the following course: The doctor purchased an $8,000 20 Payment Life policy (using his income from investments to pay the premium) limiting his wife to Option No. 3 (Life Income). By this means she was assured of an additional $30.67 a month for life, plus excess interest if his death should occur within the year, *the amount assured her increasing with her own age at the time of his death.* This policy was labeled "Wife's Income Policy." Then his wife was led to use some $270 a year of her own—which she received from investments given her by her father—to purchase a similar policy on her husband's life for $7,000. This latter policy was to be written on the Absolute Ownership Form, whereby the title would vest solely in herself, her husband appearing in the transaction solely as the person on whose life the insurance had been written. Through this policy, she was assured of a further monthly income of $26.84, plus excess interest.

An Added Reason

There was an added reason for recommending this latter policy, by the way. That reason was the desirability of providing for inheritance taxes on the husband's estate. Just why the Absolute Ownership form was prescribed for this purpose may appear from the following:

As the doctor advances in life, we reasoned, his capital accumulations (savings, investments, etc.) will probably increase. With this growth of his estate, his estate's liability, under the inheritance tax laws, will also increase. Now, he might, personally, take out additional insurance to cover this inheritance tax liability himself; but, by so doing, he would be bringing his own insurance holdings that much nearer to the $40,000 mark, up to which mark Life Insurance is legally exempted from taxation. The more logical thing to do would be to have his wife take out an Absolute Ownership policy, on his life in her own name. For by that means sum sufficient to cover the taxes would be immediately forthcoming upon his death; but, as the sum would represent policy which never had been part of his estate and never could be considered as having been transferred to her, it would not go to swell the total value of his estate nor, which is more to the point, the amount necessarily paid out under the inheritance tax laws.

Taking Care of His Children

With so much done, we felt we had provided properly for the doctor's wife. Our next duty was to assure his children's education. We realized that this was the next duty because, while the income we had provided in the manner shown for his widow would be sufficient to enable her to bring up her children in decent comfort, it would not be enough to permit sending them through college.

To this end, then, I recommended that he label his Phoenix-Mutual policy "Son's College Fund," and set it apart for that purpose. And I further recommended that he purchase a similar policy for his daughter.

As for Himself

These were the provisions the doctor was led to make for his wife's and children's welfare in the event of his death. Now let us turn to the brighter side and see what they will do for him if—as those who know him hope—he goes on living.

If my doctor adheres, conscientiously to his program, by the time he is 62 years of age, he will have built up, in the form of Life Insurance alone, and totally apart from any other thrift or investment program he may pursue, a very respectable measure of Financial Independence even though he do not utilize his insurance dividends for the purchase of additional insurance, or even allow those dividends to accumulate at interest, he will have a very respectable income at the time when "respectable incomes" are about the most desirable things in the world to have. From his 62nd birthday, his U. S. Government policy will pay him $57.50 a month for 20 years. His $6,000 Equitable policies will pay him $21 a month for life. His new policy (described above) will give him an additional $60 a month for life. And his wife will receive, from her Absolute Ownership policy, $52.50 a month as long as she lives.

And if he re-invests his insurance dividends in more insurance—which a man of his calibre and foresight is mostly likely

(*Please turn to page* 754)

"Before you are taken into partnership and given a chance to spend the funds of the firm, you must give evidence that you know how to care for your own. The worthless, the shiftless, the insincere, the always needy, never get ahead, and at the bank they are unknown. Even a small bank account makes an impress upon your character."—Elbert Hubbard.

The Road to Wealth

A Little Story from Real Life

By ROBERT W. SCHARF

IT took me just twenty-one years to earn, save and accumulate the first one thousand dollars I could truly call my own. In other words, I was twenty-one years old before reaching the goal of my youthful ambition, after years of economy, sacrifice and struggle, and in spite of many obstacles and discouragements.

Stirring Days

My earliest recollection takes me back to the stirring days of the Civil War, when the sound of martial music and the marching of thousands of soldiers fired my boyish imagination. I well remember the day when my father started with his regiment for the front; after that, how anxiously we awaited tidings from him; and how one day the sad news of the capture of his entire regiment as prisoners of war at the battle of Chancellorsville, brought sorrow and consternation to our household. Soon after, he returned home, broken and shattered in health. After a long illness he died at the early age of 30, leaving my mother almost penniless, with three young children to bring up and educate.

I shall never forget how my mother toiled and struggled day and night in order that her boys might be kept at school, for she was determin that we should at least have the benefit of a good common school education before starting out to make our way in the world.

After my graduation, at 12 years of age, I started out to find work, my first job being that of errand boy at $2 per week. After two years of this employment, my mother laid aside enough money to send me to a business college, from which I was graduated with great honors, and secured a position as bookkeeper at $400 per annum.

About this time my mother opened the toy savings bank which contained all the pennies and odd change which had accumulated during the first twelve years of my life and made a deposit of $10, "in trust" for me in a savings bank. This was the nucleus from which I built up a bank account and was the beginning of a regular and systematic habit of saving which was continued for many years.

The Plan

Out of my salary I paid my mother $5 weekly as my contribution to the general household expenses. A yearly $40 was sufficient to supply my modest needs for clothing and the simple amusements which satisfy a boy of 15; so I was able to save $100 the first year. The second year I was gratified by an increase of salary to $500, and with the same expenditures, I was able to add $200 to my bank account.

The following year came the first great change in my life, for an opportunity offering, I left home to accept a better position with a manufacturing company in a country town, and my salary was fixed at $800. This was my first real step forward and I determined to make even a larger addition to my bank account than in any previous year. A serious illness interfered with my plans for a while, and yet, after paying board, clothing and indulging moderately in amusements and sending home $5.00 weekly as before, I managed to add another $200 to my bank account.

The next year my salary was raised to $900, and as my brothers were now wage-earners and paying their board at home, I was able to save $300, besides contributing $200 to my mother's support. As the savings banks were paying interest at the rate of 6% per annum, compounded annually, my balance grew steadily and I had already accumulated over $800. I had made a resolution never to draw upon my bank account except in case of sickness or some dire necessity. Thus at 19 years of age I was within $200 of my goal and it seemed a foregone conclusion that my task would be accomplished before the close of another year.

An Unlooked For Calamity

But an entirely unlooked for calamity overwhelmed me and threatened to shipwreck my entire plans. It was the year of "Black Friday," and the great panic of 1873, when banks, insurance companies and great financial institutions all over the country were closing their doors. Almost before I could realize it, the bank in which my precious savings were deposited had closed its doors and Government officials had taken charge of its affairs. It was found to be hopelessly insolvent and ordered to go into liquidation. Thus my entire savings were apparently swept away! Discouraged and disheartened by this crushing blow, I nevertheless pulled myself together, resolved to work harder than ever to build up a new savings account. During the next two years, continuing the same rigorous economy and prudence as in the preceding four years, I succeeded in saving a clean $600. In the meantime, the broken bank had liquidated its business and settled with its depositors at 50 cents on the dollar, which realized me about $400. Adding this to my new bank account made a little more than the coveted $1,000.

During all these years of my youth, while practicing economy and thrift, I managed to enjoy all the material comforts and pleasures to which any normal and healthy boy is entitled, without indulging in those excesses which so often lead young men to ruin. I would never join in any poker or other gambling games, or frequent the saloons and poolrooms which dissipated so large a share of the earnings of many of my companions (I can recall but one who followed my example in trying to build up a bank account). The self-restraint seemed worth while when, on my twenty-first birthday, with great joy and satisfaction my mother turned over to me the money which she had held "in trust" for so many years, and I was the proud and happy owner of $1,000 in my own name and right.

What My Savings Did for Me

In all the years since, I have never experienced such happiness and enthusiasm as the acquisition of that first $1,000 brought me. And it became the cornerstone and foundation upon which I built and which finally led to financial independence for me. I never failed to make some material contribution to my mother's comfort and happiness while she lived, for it was she who inculcated in me those early habits of economy and thrift and those principles of righteous living which enabled me to avoid the pitfalls which were the undoing of so many of my associates.

Although nearly forty years have passed since she went to her eternal rest, the memory of my sainted mother has ever remained an inspiration, blessing and benediction, for I attribute to her devotion, love and sacrifice during those tender years when my character was being moulded whatever little success I have achieved in life. Verily, the words of Scripture are fulfilled in her case, for my two brothers join me in declaring "Her children shall arise and call her blessed."

In conclusion, let me say, the door of opportunity was never so wide open to the young men of America as today. In every field of human endeavor, whether professional, commercial or industrial, there is no limit to the opportunities for young men of character and determination. If they will but apply and persist in those habits of economy, prudence and thrift which I have emphasized, it should be much easier for them to acquire that first thousand dollars than it was in my day.

Also, the temptations and pitfalls which beset the young men of today are not to be compared with those which existed in our great cities forty years ago. With saloons on every corner, gambling resorts and houses of prostitution running in full blast, it required a far greater measure of resolution and backbone to lead a "righteous, Godly and sober life" then than now.

Such is my story, and if its perusal will encourage but one young man to habits of prudence and economy, I shall feel that it has not been written in vain.

FINANCIAL independence is not having all that you want. Financial independence consists in having a little more than you need.

To Build or Not to Build

A Problem in Personal Finance

Somerville, N. J.,
January 23, 1923.

B Y F I Department,
THE MAGAZINE OF WALL STREET.

Gentlemen: Having noticed in your MAGAZINE OF WALL STREET *several articles analyzing home building projects, I am taking the liberty of asking you for some advice on my own contemplated project.*

I am thirty-one years old, married and have one child. My life insurance policies total $11,000. *I own a lot which I paid* $1,100 *for, and I have about* $1,500 *saved. My salary is* $370 *a month, out of which I am able to save about* $150.

I am contemplating building a house on my lot for my own use. Preliminary estimates indicate that the house itself will cost about $9,400 *and that an additional* $500 *will be required for grading, sidewalks, etc. This would make the total investment about* $11,000. *Do you think that I am in a position to handle this project financially? How would you suggest providing for the money I must borrow? Would you recommend a monthly payment mortgage or a personal sinking fund in this particular case?—F. E.*

THE above letter, directed to the Home Building Department of THE MAGAZINE OF WALL STREET, describes a case having so many features of general interest we believe our readers would be interested in knowing how it was answered. The Department's reply follows:

B. & L. Plan Best

In your letter of January 23rd, after describing your financial position and the size of the home-building project you are considering, you ask (1) Would we recommend a monthly payment mortgage or a personal sinking fund in this particular case, and (2) Do we believe you are in a position to handle this project financially.

Answering Question 1, we would call your attention to the article on page 619 of our issue of February 3rd, which shows that the monthly payment mortgage (or Building & Loan plan) is much more economical and efficient than any other mortgage plan yet devised. On this finding, we of course recommend that plan for your particular case.

Analyzing the Charges

Answering Question 2, we are a little doubtful whether it would be the wisely-conservative thing for you to do to embark on a home-building project of the dimensions shown. The reason for our doubts may appear if we analyze the charges involved:

Taking an optimistic view of the probable attitude of the B. & L. Association in your neighborhood, let us suppose that you will be able to secure 65% of the stated total value (both house and lot) of your project on 1st Mortgage. (This may be a broad assumption, as some Building & Loan Associations are unwilling to loan on the basis of present-day costs; while others are unwilling to include the value of the land in their mortgage loans. You will have to check up on these questions in your locality, and adjust our assumption to conform with the facts.)

In that event, your B. & L. mortgage would amount to 65% of $11,000, or a total of $7,150.

That would leave $2,750 for you to raise. Since you only have $1,500 free capital at present you would (apparently) have to put out nearly half that sum on 2nd Mortgage.

You would then have $7,150 on B. & L. 1st Mortgage and $1,375 on 2nd Mortgage. This would bring the total cash required by the project down to $1,375, or just within your immediate resources.

Now for your carrying charges:

What Payments Would Be

On the plan outlined, you would have to pay to the B. & L. Association (at the rate of $10 per month per $1,000 borrowed) the sum of $66 monthly, or $792 yearly.

You would have to make regular payments toward the amortization of your 2nd Mortgage, probably at the rate of $275 yearly, until that mortgage had been extinguished, which would require five years.

You would have to pay 6% on the year-to-year balance of your 2nd Mortgage, which would be $82.50 in the 1st year, and somewhat less in each succeeding year as amortization proceeded. A little figuring shows that your annual average interest payments on this account for the 5-year period would be $49.50.

In addition to actual disbursements, it is considered sound business for home builders to charge against their projects an annual 6% on the amount of capital sunk in the enterprise. This is called "Interest Loss" and has been explained in previous issues of The Magazine. In your case, capital sunk would include $1,100 for your lot and $1,375 for your cash deposit, or a total of $2,475. An annual 6% of this sum would be $148.50.

For taxes, insurance, etc., we can only estimate your costs. However, we believe they would not exceed the amounts shown in the following table, which becomes as complete an analysis as we are able to make of the total carrying charges likely to be involved in such a project as you are considering:

First Five Years

	Yearly
Payments on a/c B & L.	$792.00
6% on second mortgage. (Average for five years)	49.50
Amortization payments toward second mortgage	275.00
Interest loss	148.50
Taxes	150.00
Insurance	30.00
Water	10.00
Coal	140.00
Repairs	40.00
TOTAL	$1,635.00

Thus, it appears that the project you are considering, if conservatively financed, would cost you the equivalent of about $136 a month to carry, at least during the life of the 2nd Mortgage.

This sum, to be sure, compares very favorably with the amount you are now able to save. And, if you are specially situated, or the beneficiary of special conditions likely to enable you to continue to show the monthly surplus over expenses that you are showing now, we would have no hesitation to recommend your acting.

However, it hardly seems likely that, with a family to maintain, you could continue to save such a large proportion of your income. In that event, we believe it would be unwise for you to embark on a project of the dimensions of this one, whose carrying charges would be the equivalent of nearly 37% of your salary.

Best to "Play Safe."

Our suggestion would be that you postpone operations until a little later; or else that you trim down the size of your undertaking. In other words, we believe in "playing safe."

An additional reason for hesitancy in this case lies in the fact that the anticipated cost of your house is based on "preliminary estimates." Generally, final costs are considerably higher than preliminary estimates; and, if this proved true in your case, you would be committed to an even more burdensome undertaking.

> **"After all, saving in the abstract is a perfunctory process as compared to purposeful saving, and what greater incentive for saving is there than for the purchase of a home, the ownership of which may change the very physical, mental and moral fiber of one's own children."**—HERBERT HOOVER.

Are Municipal Bonds Good Investments?

What the Intending Buyer of Municipals Should Look for—The Trend in Municipals Today

(This is the fifteenth article of a series intended to aid Income Builders in the conservative but enterprising investment of their surplus funds. Further articles will appear in later issues.)

OUR "Staircase to Success" has seven steps in it altogether of which the first three are:

(1) The Savings Bank,
(2) Government Securities,
(3) a. Equipment Trust Bonds,
b. Building & Loan Certificates,
c. Municipal Bonds.

All these steps have been analyzed in the order shown in consecutive previous issues, with the exception of municipal bonds. This last group it is time to analyze now.

What Municipal Bonds Are

Municipal bonds, as an investment medium, rank very high—in most cases on a par with Equipment Trusts. It hardly seems wise to rank them on a par with U. S. Government securities because, while there is only one Government, with practically limitless credit, there are innumerable states, municipalities, villages, etc., and their individual credit ratings range from very good to poor. Municipals provide a satisfactory yield, considering their safety; and the fact that, because of their being exempt from taxation, they are a favorite medium for men of wealth does not alter in the least—indeed, it rather strengthens—their appeal to small investors. Such bonds, however, are nearly always issued in high denominations—generally, $1,000 pieces, and almost never in less than $500 pieces—and for that reason they are seldom "within the reach" of the average small investor's pocketbook. Where their cost-price can be paid, and certain preliminary requirements to be immediately discussed are satisfied, however, they compose, as a class, an ideal investment medium.

"Municipal Bonds," the term, is very loosely used, at least according to the prevailing usage of the word "municipal" in the world outside of Wall Street. When we speak of a "municipality" in any other connection, we almost always refer to a city or a township; but when we speak of "municipal bonds" our reference, according to Wall Street usage, may be to bonds issued by any political subdivision, whether a municipality, as we know it, or not. Thus, before me as I write, there is a descriptive analysis just issued by one of the leading bond houses which recommends, under the heading of "Municipal Bonds," the funding securities of states as well as cities—even of a Federal Land Bank.

Therefore, it may be said that financial usage permits applying the term "municipal bonds" to the broad field including State Bonds, City, Town, Village and District Bonds—all bonds, in short, issued under the authority of political subdivisions of the country the proceeds of whose sale are utilized in public works or for public purposes.

Things to Look For

In attempting to judge the investment merits of a municipal bond, there are certain fundamental pre-requisites to look for. Put differently, there are certain fundamental questions a potential investor in these bonds should obtain satisfactory answers to before effecting a commitment in this class. These include:

(1) The record of the "politicality," or political subdivision, issuing the bonds in respect of previous obligations.

(2) The relation between the "value" of the politicality, both real and assessed, with its population, its total indebtedness and its net indebtedness.

(3) The offered yield of the bond under consideration by comparison with other issues in the same class.

The foregoing list of "pre-requisites" may make easy reading; but satisfactorily following it up is quite the opposite. In fact, so complex are the various factors affecting municipal valuations, both "real" and "assessed," legal debt limitations, legal deductions from total debts permissibly discounted in computing net debts, etc., that I believe it may be said with more than a grain of truth:

Investors who have not made a special study of the field and who are not thoroughly familiar with its ramifications should be careful to secure the advice of reputable municipal bond experts before attempting conclusions of their own.

Some Typical Conclusions

An example, near enough actual cases, may be cited to show where these complications sometimes lead, and what special knowledge the solution of the complications often requires. Let us take two hypothetical municipalities (cities, in this case) which, for purposes of identification, we may call "A" and "B."

A's population is 90,000. Its total debt is 6½ millions of dollars. Its "actual value" ("actual value" is an estimate generally supplied by the bankers connected with a municipal undertaking) is 159 millions and its assessed valuation is 28 millions.

Now, were we to confine our investigation to a comparison between A's bonded debts and its assessed valuation, we would arrive at a rather discouraging conclusion as to the investment qualities of its bonds. For, as the figures show, A has over 25% of its assessed value out in the form of bonds—a very high figure according to generally accepted standards which require, as an average, that the ratio be nearer 10%.

B, on the other hand, has a total population of 50,000, a net debt of only $384,000, an actual value of $25,000,000 and an assessed value of $16,000,000. From these figures it is seen that B's net debt is only about 2½% of its assessed value which, on the face of it, would seem to put B's bonds in a much better position than A's.

Looking up price sheets, we find, however, that instead of B's bonds selling on a lower basis than A's the contrast is the other way 'round. **(At this point, it may be well to note that municipal bonds are never quoted on a "cost" basis, but always on a "yield" basis. Thus, when you seek a quotation on such a bond, you will be given some such figure as 3.75%, or 4.22%, rather than a figure of 104 or 110, the quotation referring to the return you will receive on your investment in event of your buying such a bond, not to the amount of money you will have to pay for it. This is a very confusing practice to the newcomer, and one he will do well to accustom himself to. He must get into the habit of interpreting a decline in municipal bond quotations as reflecting a rise in their price, and, vice versa, a rise in their quotations as reflecting a decline in their price.)**

Getting back to A and B, we have found that B's are selling on a higher basis than As; in other words, the experts do not consider B as good a risk as A.

Why the Discrepancy?

Then we embark on a rigid investigation; and, with the help of an expert, we find that this apparent discrepancy is actually very logical because of certain of those special considerations which so often crop up in this field. *(Please turn to next page)*

The explanation is this: A's real value is almost six times its assessed value. By all accurate standards, A's assessed value is set at a figure very far below where it might be. Why? For the entertaining reason that, were A's city fathers to jack up their assessed valuation to a point more nearly approximating realities, then they would automatically jack up the taxes they would have to pay the state. Just now, with their assessed value where it is, they only have to pay one-twelfth of the State's taxes; and, as a famous merchant has suggested, why pay more? Hence, in A's case, the important fact will be: That, the relation between assessed value and bonded debt—very high—should be ignored; but that the relation between *real* value and bonded debt—very small (actual values nearly twenty-five times the bonded debt)—should be considered. And when it is considered, then one realizes why A's bonds are so hard to buy.

B, on the other hand, is the victim of even more special considerations. This municipality's net debt is only $384,000 and, by comparison with the values in the town, would seem very low. But investigation shows that, in arriving at its net debt, B has resorted to the practice of charging off the debt incurred for water supply, and that the amount charged off to this account is some $2,186,000, or nearly 2¼% of the assessed valuation. It is considered legal enough to make such deductions, and the practice is common, but many things that are legal do not, when done, react any more favorably on a corporation's credit position by reason of their legality. At any rate, municipal bond experts feel that B's deductions on account of water supply are out of all proportion, all things considered; and so, when you look at the quotation sheet, you find that B's bonds are going begging at two points higher (yield basis, remember!) than A's.

The Importance of Expert Counsel

While the foregoing is expressed in as simple fashion as possible, it may still be found confusing. If it should be so found, a purpose of sorts would still have been served: Emphasis would thereby be laid on what we have said before, i. e., that expert counsel should be obtained before municipal bonds are bought.

As a further emphasis of the intricacies involved in municipal financing, reference is suggested to the occurrence in a certain large metropolis about a year ago: An up-State political leader came to town for the purpose of proving to the citizens of the town that their municipality was being woefully mismanaged and that, in reality, its debts were out of all proportion to its valuation, although they did not appear so in the financial reckonings of the city administration. Echoes are resounding yet of the reception accorded this political leader by the comptroller of the city in question, who not only cleared the city's name in the matter but made the leader's need of "further enlightenment" painfully evident. Certainly, if men who have studied the field, however casually, can be

(*Please turn to page 757*)

Points for Income Builders

Meaning of a Few of the Expressions Frequently Encountered in Railroad Finance

WHEN a shipment of goods is forwarded by freight car, a stipulated allowance is made with regard to the time to be consumed in loading and unloading the shipment. If and when this time allowance is exceeded, a special penalty is imposed, assessed on a per diem basis according to the length of the delay. This charge is known as "demurrage" and a railroad's total receipts from this source are grouped under the heading "demurrage charges."

Maintenance of Way

In the Operating Expenses of a railroad system is included an item called "Maintenance of Way" which covers the monies expended by the road toward repairs on roadway, renewals of rails and ties, renewals and repairs of bridges, fences, road-crossings, wharves, etc.

Maintenance of Equipment

Maintenance of Equipment covers the amounts expended by a railroad toward renewals and repairs to rolling stock principally, but also to renewals on shop machinery, tools, etc.

Rolling Stock

A railroad's locomotives, cars, hand-cars, snow-plows—all that part of its equipment which "rolls," in short—is known as its "rolling stock." The passenger car you ride in, the baggage car in front of it and the locomotive that pulls the train are part of the "rolling stock."

Train Miles

The movement of a train one mile is called the "train mile." That is to say, "train mile" is a unit of measurement devised by railroad statisticians which covers the movement of a train one mile. The movement of all the trains operated by the system are the "train miles" of the system, representing the product of (1) trains operated by (2) miles of road covered. The "revenue per train mile" is the average amount of the earnings of the system per trains moved one mile. Thus, it is merely a proportion, devised to facilitate comparisons between one road and another, or between year-to-year operations of the same road.

Clover Leaf

The Toledo, St. Louis & Western Railroad runs through Indiana, Illinois and Ohio. Those who will examine the map and trace the contour of these locations may see a resemblance to a "clover leaf." If they fail to see it, they will have to submit to tradition, which claims that it is there and which is responsible for this nickname for the Toledo, St. L. & Western.

Freight Ton Miles

The total number of tons of freight moved by a system multiplied by the total distance covered by freight trains in that system, during a given period, is called the "freight ton miles." This, again, is a unit of measurement, designed to facilitate comparison.

Cotton Belt

This is one of the more obvious of the nicknames accorded raliroad properties, referring of course to the St. Louis Southwestern system and derived from the geographical location of the system and the kind of business that contributes to its earning power.

Big Four

The Cleveland, Cincinnati, Chicago & St. Louis, controlled by the New York Central and having termini at the cities named.

Some other railroad nicknames, or abbreviations in common use, include:

C. & O.—Chesapeake & Ohio

Central—New York Central

Atchison—Atchison, Topeka & Santa Fe

"Katy"—Missouri, Kansas & Texas

Nickle Plate—New York, Chicago & St. Louis

"Soup"—Southern Pacific

Panhandle—Pittsburg, Cincinnati, Chicago & St. Louis

Alton—Chicago & Alton.

Burlington—Chicago, Burlington & Quincy.

Great Western—Chicago & Great Western.

St. Paul—Chicago, Milwaukee & St. Paul

Northwestern—Chicago & Northwestern

Soo Line—Minneapolis, St. Paul & Sault Ste. Marie

Jersey Central—Central R. R. of New Jersey

Rock Island—Chicago, Rock Island & Pacific

Lackawanna—Delaware, Lackawanna & Western

Pennsy—Pennsylvania R. R.

Union—Union Pacific

Southern—Southern Railway

Frisco—St. Louis & San Francisco

Can any little bright boy in the class trace on the map the territory covered by each of these roads?

Activities of the

Investors' Vigilance Committee, Inc.

Cooperating With the Chambers of Commerce, Business Organizations and "The Magazine of Wall Street"

By RALPH W. BUDD, Manager I. V. C.

Rochester, N. Y., Reports Splendid Work

Rochester, N. Y., has a well organized and thoroughly functioning Local Investors' Protective Committee, which is cooperating with the Investors' Vigilance Committee, Inc., and which shows a wonderful record of work done and money saved for the city of Rochester by keeping a close watch on all promotion schemes, investigating, and advising citizens who are contemplating making investments.

Over eight thousand persons have called on the Investors' Protective Committee during the past year seeking information on all kinds of promotions. The files of this Committee contain 387 new investment schemes. Many of these reports are illuminating as the past record of the promoter is often quite enough to prevent a commitment in his new project. Other points are carefully covered in these reports, such as the amount of capitalization, large number of stockholders, and excessive cost of promotion, such as paying large commissions to salesmen and high salaries to officers.

It is difficult to determine the exact amount that Rochester has been saved by its Protective Committee during the past year, but the Secretary of the Committee, Mrs. A. N. Davis, considers that $2,000,000 is a conservative estimate. In only a few instances has it been possible to recover money once it has fallen into the hands of promoters. Usually their plans are so well laid and their trail so well covered that recovery is hopeless.

A workingman recently called at the Committee offices and, showing a stock certificate, said: "I worked nights and Sundays to save the few hundred dollars which I paid for this scrap of paper. I am glad there is *now* a place where we can come to learn the truth."

In several instances clever promoters have landed in Rochester and quietly begun their operations. In some cases they have succeeded in cleaning up a few hundred dollars before the Protective Committee were notified of their presence; then the public have been immediately warned, and the promoter has found his progress blocked.

Twenty-five companies which attempted to operate in Rochester during the last year failed. Many others came and just faded away, leaving no record behind them. Reports on these concerns by the Committee were prophetic of calamity, and events showed clearly the justification of the warnings that were given to those approached by the promoters.

Within the last few days a woman called at the Committee office who has been laboring under adverse circumstances to educate her son. He is about through with high school and is ambitious to take a course at the Massachusetts Institute of Technology. The mother is working in a factory to give her son the training he desires. She has three or four Liberty Bonds and when she called to see the Committee she had just signed a contract with a ompany in which a commitment would mean immediate loss. She had not made any payment on the contract, and had passed a sleepless night fearing the promises made by the salesman were not true. Words could not express her gratitude when she was shown that she had escaped the loss of her bonds by waiting a few hours and making inquiries of the Investors' Protective Committee before making the transfer of these securities for worthless stock.

THE plans of the INVESTORS VIGILANCE COMMITTEE, Inc., with samples of the forms used, will be sent upon request to any Chamber of Commerce or other business organization in the United States or Canada.

It is the duty of every citizen of this country to secure the cooperation of his local business organization with this Committee so that his own community may be made safe for investors from these "vultures who are parading like peacocks" in their midst.

If the mail brings you, Mr. Reader or your friends, a specimen of promotion literature, remail it to this Committee and help in the "Round-Up."

The sub-committee that has charge of the publicity of the Protective Committee has conducted a series of warnings which have been published in the house publications of large industrial plants and organizations. Plans are now being formulated to enlarge this part of the work during the coming year.

Friday, April 28, was designated as "Investors' Protective Day." At that time 70,000 handbills were distributed through the factories, retail stores, and public schools urging investors to "INVESTIGATE BEFORE INVESTING," and stressing the differences of an investment, a speculation and a gamble.

400 Millions Gone

During the week of December 15, 1922, 50,000 handbills were distributed warning those who had Liberty Bonds or War Saving Stamps about to mature to watch out for the sharpers who were already planning to get possession of their money. The Treasury Department has recently issued a statement to the effect that $400,000,000 worth of Liberty Bonds were taken from the public by promotion pirates within a few months after the war.

Mrs. Davis reports that the success of the work of Rochester's Local Committee is largely due to the splendid co-operation given by members of the Chamber of Commerce, lawyers, bankers, and manufacturers who have given valuable time and wise counsel in analysing the many propositions which have come before the committee. Excellent co-operation was also given by the Board of Education, the local press, and the Police Department. With this help and the strong co-operation of the Investors' Vigilance Committee, Inc., Rochester has saved $2,000,000 for its citizens which has gone into legitimate enterprise.

There are city officials and members of Chambers of Commerce who think that the public will not make use of the service given a Local Vigilance Committee. If any one has such a doubt it should be cleared away after reading this report on the work of Rochester. The very fact that 8,000 people in a city of Rochesters' size have found the need of such a committee and have made use of it shows that the American Public want help and will take it whenever it is offered.

A speaker of the Investors' Vigilance Committee, Inc., recently gave an address in Rochester on the subject of fake promotions. The hall in which he spoke was filled to the limit of its capacity, and many people were disappointed because they could not get in. These people were so eager to get information on investment matters that they kept the speaker on the platform for hours after he had delivered his address, asking him questions about the work, and about stocks in which they had invested or in which they were contemplating investing. So ardent were they that the chairman had great difficulty in bringing the meeting to a close, and many people waited till after the crowd had gone in the hope of getting further information.

This page has been donated by THE MAGAZINE OF WALL STREET *for the express purpose of presenting regularly the work of the Investors' Vigilance Committee, Inc., with whom we are cooperating in conjunction with the Chambers of Commerce and other Business Organizations of the Nation.*

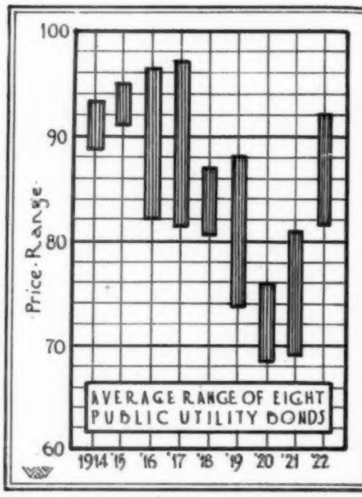
The statements contained herein are not guaranteed but are based upon information which we believe to be accurate and reliable.—Editor.

Public Utilities

Some Remaining Bond Opportunities

A List of Attractive Public Utility Bonds Returning 6% and More

By JAMES N. PAUL



AFTER more than a year's almost uninterrupted advance, the investor is finding it increasingly difficult to find means for investment of funds in high grade issues giving him a yield of 6% or better. This applies not only to good industrial issues but also more so to bonds of public utility companies whose securities during the past year have made great strides toward regaining popularity.

It should be remembered that prior to war-time inflation of operating costs, the bonds of public utility companies were a favorite medium for investment of funds by discriminating investors. Public utility bonds ranked high with those of the railroads at a time when bonds of the average industrial company were not so well thought of. It is becoming evident that they are once again taking the position in the investment market which they occupied in pre-war times.

The investor who purchased good bonds late in 1921 or early in 1922 and who has held on to them is indeed fortunate and, with a few exceptions, can show handsome profits due to appreciation in market value in addition to having funds invested giving a high yield. Easier money conditions have naturally advanced prices to a point where the yields of eighteen months and a year ago now seem ridiculously high While the bond market cannot be expected to continue its upward movement indefinitely with diminishing yields, there is little doubt but that several years hence, or probably even less, the present yields offered by many seasoned high grade investment bond issues will appeal very attractive indeed.

Starting about the middle of 1921, we have witnessed a broad bond market which absorbed a record number of new issues. Trading since then has generally been at advancing prices though the last two months of 1922 gave indications that the market was beginning to get tired and that we might be in for a period of dullness due to absorption of the many new issues that were coming out in record number. Recessions came but they were only a fraction of the gains which had been registered.

The beginning of this year has seen signs of a renewal of confidence in the bonds. While the market cannot be expected to continue to advance at the same pace as last year, it is indicated that there are still good opportunities in bonds.

The quick advance of bond prices from the levels of early in 1921 was only to be expected as adjusting prices from the abnormal conditions prevailing due to high money costs. There is no indication, barring any great and prolonged depression, that the near future will see any such prices for bonds as were given following the two years after the ending of the war.

A feature of the bond market, recently, was the sale on the part of one of this country's largest electric power companies of an issue of 5% long term bonds at a price which netted the company almost par and which went to the investor on a basis which was giving a yield of a slight fraction above 5%. Two years ago this company would undoubtedly have had to do its financing on a 7% basis.

The period of note issues of 7% and 8% made by many of our large public utilities in the three years following the ending of the World War is past. These issues are rapidly being eliminated through the callable privilege exercised by the companies.

Bonds of the hydro-electric companies together with the telephone issues seem to be favored by investors at the present time. Traction bonds generally are still in the speculative stage as this class of public utility, with a few exceptions, has not yet demonstrated that the way is clear for successful operation of street railways. A seven cent fare seems to be pretty general throughout the country but even so, high wage rates are retarding earnings and it is doubtful if this class of securities can soon get back to the high plane of six years ago.

It is not the purpose here to advocate the purchase of bonds indiscriminately. The present uncertain trend of markets for all securities may make possible in the next few months purchases of bonds at lower levels than now prevail. The investor, however, who is not interested in temporary fluctuations and who is seeking to invest funds for income in future years can still obtain a yield of between 5½% and 6%, but such opportunities must now be sought out if good issues are to be obtained.

Bonds carrying callable features, permitting the company to retire the issue at a set price, should be avoided if the purpose of the investor is for investment for future income over a long period of years.

Several suggestions for bond purchases are offered herewith. No one class of utility or of security has been followed but rather a variety is given running all the way from first-mortgage 5% bonds to 7% notes which might meet the needs of some for short term investment.

ATTRACTIVE PUBLIC UTILITY BONDS

Company	Issue	Rate (%)	Maturity	Price	Yield (%)	Market
Nwn. Bell Tel. Co......	20-year, Ser. A, 7s	7	Feb., 1941	107½	6.3	N. Y. S. Exch.
Nor. S. P. Co. (Minn.).	Ser. B 6% bonds	6	Apl., 1941	100	6.00	N. Y. S. Exch.
P. S. Corp. of N. J....	General 5% bonds	5	Oct., 1959	84	6.25	N. Y. S. Exch.
Philadelphia Co.......	1st & Col. 6s, Ser. A	6	Feb., 1944	100	6.00	N. Y. S. Exch.
North Am. Edison Co...	Secured 6s, Ser. A	6	Mar., 1952	93½	6.50	N. Y. S. Exch.
Am. Gas & Elec.......	6% debs.	6	May, 2014	98	6.15	N. Y. Unlisted
Am. Pr. & Light......	6% debs.	6	May, 2016	93	6.45	N. Y. Unlisted
Miss. River Pr. Co....	Deb. 7s	7	May, 1935	101	6.90	N. Y. Unlisted

Northwestern Bell Tel. 7s

Northwestern Bell Telephone Co. (affili-

ated with American Telephone & Telegraph Co.) twenty-year series A 7% bonds due in 1941 constitute a high grade investment proposition and at the same time a better yield than many other issues of a like character. The company operates in Iowa, Nebraska, Minnesota and the Dakotas. The issue is popular with the small investor inasmuch as $100 and $500 pieces can be obtained in addition to the usual $1000 bond. Issue is listed on the New York Stock Exchange and at the current price of 107½ shows a yield of 6.30%.

Bond constitutes a first mortgage on the physical property of the company in Iowa, Minnesota, Nebraska and South Dakota. Interest charges are being earned about three times.

	1921	1920
Net Available for Int. charges	$8,162,882	$7,703,076
Fixed charges	2,274,149	1,943,733
Balance after chgs.	$5,392,733	$5,759,343

The issue is callable at 107½ and has been selling close to the call price for some time. There is always the possibility that the issue may be called so that for this reason the issue might not be so desirable for those desiring to invest funds for a long period without a thought of changing into something else. However, for short-term purposes it is an exceedingly attractive issue.

Northern States Power (Minn.) 6s

Northern States Power Co. is a high grade public utility company and classed as one of our best hydro-electric properties. Company operates in the state of Minnesota principally. Bonds are listed on the New York Stock Exchange and can be purchased in denominations of $500 or more.

The 6% first and refunding 6s of 1941 at present selling around 100 show a yield of 6%. They are callable at 105 and can be classified as a good investment proposition in a property which is making strides towards larger things. To those interested in bonds of a hydro-electric proposition, this issue should be attractive.

Public Service Corp. (N. J.) 5s

Public Service Corporation of New Jersey is a holding company deriving its income through dividends chiefly received from its three principal subsidiaries, Public Service Gas Co., Public Service Electric Co. and Public Service Railway Co. Serving more than two-thirds of the population of the state, rapid growth of industrial expansion has enabled the corporation to stage a good come-back in earning power and the 1922 annual report to be published shortly will be the best in its history.

Usually the bonds of holding companies are not held so highly as those of straight operating properties but the General mortgage 5% bonds due 1959 seem attractive for investment of funds for a long period at a price with a fair yield. At the current price of 84½ the 5s show a yield of 6.25% if held to maturity. Bonds are listed and traded in actively on the New York Stock Exchange. There is an authorized issue of $50,000,000 of the 5s of which $32,442,000 were issued according to latest statements. Issue is callable at 105 and are a first lien on all property owned in addition to deposit of bonds and stocks.

A ten-year analysis of earnings shows that, on an average, interest on funded debt and sinking fund requirements were earned about one and a half times, a ratio which might be better, but at the same time the 1921 figures showed interest charges earned almost twice with indications that they will be shown as earned considerably more than twice in the 1922 annual report. The property is a good one with indications of much improvement in earning power during the next few years. Both common and preferred dividends are being paid regularly, the rate on the junior issue having been advanced to 8% annually last November.

The bonds offer an excellent opportunity for business men's investment.

Philadelphia Co. 1st 6s

Philadelphia Co. is an old line public utility property and one of the few which has not missed dividend payments on the common stock since before 1900. Philadelphia Co. itself operates one of the largest natural gas properties in this country furnishing gas to Pittsburgh.

In addition to earnings from gas sales, the large and rapidly growing Duquesne Light Co. is controlled through stock ownership of the entire junior issue which pays dividends regularly to the parent company constituting a valuable addition to earning power. The latter is one of the largest electric light and power properties in this country. Over a period of years, Philadelphia Co. has been a consistent earner and ten-year average of earnings makes an exceptionally good showing.

At the current price of 100, the First & Refunding Collateral Trust 6% bonds Series A due 1944 show a yield of 6% which appears exceptionally good for a bond of this character. The issue is a blanket one authorizing issue up to $100,000,000 of which only $20,000,000 are outstanding and constitutes a first mortgage on the gas properties and securities valued at over 56 million dollars.

Average earnings for ten years show that net income available for interest on funded debt was never less than two and a half times the requirements. Over the ten-year period 1913-1922 earnings were on an average well above three times requirements. The 1921 annual statement was the poorest in the ten-year period due to depression in the steel industry which normally takes large amounts of gas but last year's figures will show considerable improvement. Dividends are being paid on both common and preferred stocks.

Interest and principal of these bonds are secure and they are recommended for investment.

North American Edison 6s

A good investment proposition with a yield of better than 6% is hard to find these days, but the North American Edison Co. 6% bonds of 1952 should be attractive as combining a yield above the average on a long-term bond with good security. Company (a subsidiary of the North American Co.) was recently organized and controls the Cleveland Electric Illuminating Co. and the Union Electric Light & Power Co. The 6% bonds of the company maturing in 1952 were brought out last March around 92½ and are now selling about a point above the offering price. At the current level of 93½ a yield of better than 6½ is obtained. The bonds are secured by deposit of about $22,000,000 securities of the two operating companies on which dividends are now being paid. Dividends now being paid on the pledged collateral amount to about two and a half times the interest requirements on the bonds. The fact that bonds are secured by pledge of collateral accounts for the comparatively high yield

(Please turn to page 754)

CONNECTED GAS ENGINE UNITS
2000 K.W. Engines used in the Indiana Steel Company's Power House at Gary, Ind.

Petroleum

California Petroleum Corporation

Unusual Position of Preferred Stock

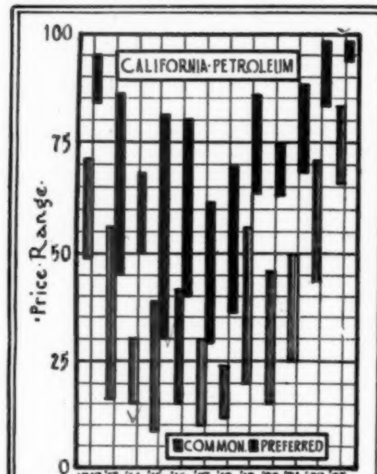
Why Common Stockholders Have Less to Gain Than Owners of Preferred

By J. G. SWARTZ

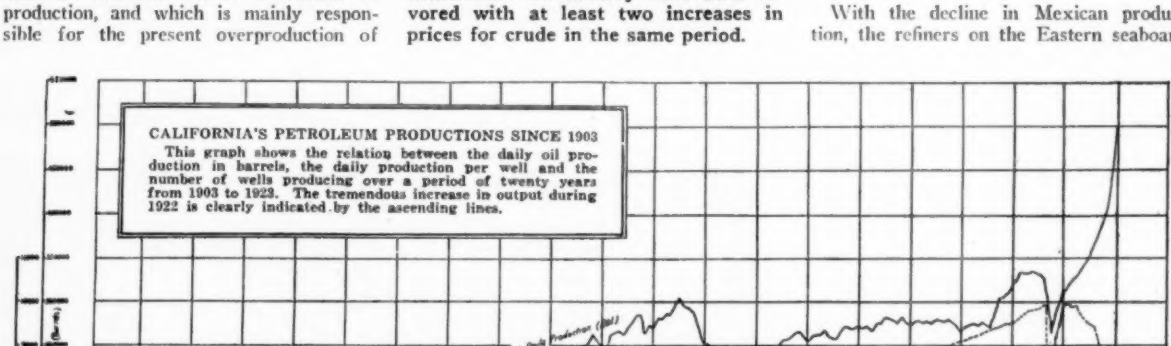
TO the average investor, interested in oil securities, or in the opportunities for investments in this industry, California looms forth as a Land of Sunshine and Flowers, or as some skeptics put it—The Land of Lemons. The solicitation of his funds for investments in the "gushers," as is so eloquently described in the usual prospectus of the promoter, rarely mentions California.

However, to the active oil producer, who is anxiously watching the ever climbing flow of production, California is unquestionably the most interesting spot of the oil-producing areas in this country. It is this state which, at the present time, leads all the other states in volume of production, and which is mainly responsible for the present overproduction of crude petroleum. With the decline in price of the past year, the producers in other territories set about to curtail production through suspension of drilling but apparently this did not reach California, for the past six months has witnessed prolific drilling in the old fields and active search for new oil fields.

How well they have succeeded in California may be judged from the increase in production, which was running daily about 200,000 barrels more in December than in January, 1922, or an increase of about 62%. In comparison, it is noted that the total increased production of the entire country was about 371,000 barrels, so that California was responsible for almost 60% of the entire increase. **The results of this almost reckless campaign for production in California is reflected in the recent cut of crude-oil prices in that territory, which ran as high as 50 cents per barrel, or 60% of its price, while the other producing sections in the country have been favored with at least two increases in prices for crude in the same period.**



With the decline in Mexican production, the refiners on the Eastern seaboard



© *Petroleum World*

have been sending crude oil through the Panama Canal from California to their refineries to replace the Mexican crude formerly used. The price of the California crude oil laid down in New York is not very much out of line with the cost of Mexican and, as the character of the crudes are very similar, it is very probable that more and more of the crude from California will find its way East. This is one of the bright spots in the present overproduction in that territory.

Expensive Drilling

The drilling in California is very expensive for the depth at which oil is found is much greater than in Mid-Continent and the actual cost of the well is much higher. This has prevented the small operator or company from obtaining much of a foothold in California. It takes a large amount of capital and a very capable organization to produce oil in California and the field is practically controlled by companies of this type. It might be stated that probably 95% of the production of that state is controlled by five companies.

California Petroleum, during the past year, probably has had as large an increase in their production as any of the major companies. From a daily production of less than 20,000 barrels a year ago, this has been increased until at the present time, the production of this company is nearly 50,000 per day. A very intensive drilling campaign is now under way with about forty strings of tools in operation. As the major part of this drilling is on acreage which may be considered as practically proven, it is possible that the production may be increased to 75,000 barrels per day.

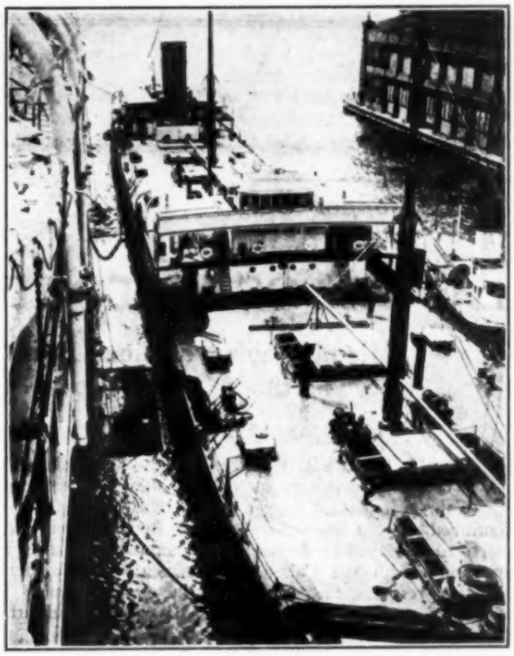
California Petroleum has no refineries or market facilities and at present confines its activities entirely to the production of crude. Much speculation has taken place as to the reason for the tremendous efforts made to build up their production and many connect it with the decline of the Mexican field of the Pan-American Petroleum Corporation and believe that the increased production of California Petroleum will eventually be applied to contracts of the former company. The interests of the two companies are very close, in fact Mr. Doheny is generally credited with being responsible for the inception of California Petroleum.

This is a holding company, its operations in the field being carried on through the American Petroleum Co., American Oilfields Co., Petroleum Midway Co., Ltd., and the Western Star, which it has just acquired. There is outstanding $12,709,526 preferred and $17,377,005 of common stock both at $100 par value. The preferred stock, however, has a different standing than preferred stock ordinarily has in the majority of companies in that it participates in the profits jointly with the common stock after the common has paid 7%. It also bears 7% accumulative interest and, in the event of voluntary liquidation of the company, is entitled to a premium of 20% additional. Also in case of default for four quarterly dividends, the preferred is entitled to elect a majority of the directors. There are also other features which all tend to place the control of the company, as well as diverting a large portion of the earnings, in the preferred stock, so that the holders of the common stock do not derive the full benefits of large earnings.

The earnings of the company as indicated for the year 1922 should run about $10.00 per share on the common stock after all charges, including depreciation, depletion, etc. In this connection, it should be mentioned that the policy in regard to charging off depreciation and depletion is most liberal and equal to that followed by the best companies. As this is over the 7% allowable for common stock, one half of the excess earnings would go to the holders of the preferred stock.

Conclusion

It appears that in view of the participation of the preferred stock in the earnings of this company, that this issue is preferable to the common, in as much as it is assured of 7% in addition to any profits. The purchase of California Petroleum preferred can be recommended as a very high-class speculation. The common stock, on which dividends were recently resumed at the rate of 7% per annum. Can only be regarded as a speculative issue.



Oil tanker Edward L. Doheney, Jr., bunkering S. S. Aquitania

Market Movements of Leading Oil Shares

Gains and Losses Since the Ending of 1922 and a Suggestion as to the General Outlook

THOUGH the year 1923 is still very young, the oil shares have already given a convincing demonstration of their ability to fluctuate sharply under almost any circumstances. A glance at the table below will indicate that though at present writing only less than six weeks have elapsed since 1922 went out of existence, there have already been extreme movements in some of the representative oil shares and this is particularly noticeable because up to very recently the market, as a whole, was quite dull and inactive. A few of the more active oil shares since the beginning of the year have been: California Petroleum with a gain of over 13 points, Phillips Petroleum with a gain of nearly 8 points, General Asphalt with a loss of about 4 points and Pan-American with a gain of several points. Some of the others, such as Standard of New Jersey and Texas Company, were unusually static.

Herewith is given a list of the more active oil shares traded in on the New York Stock Exchange and their price changes since the ending of 1922:

	Price Dec. 30, '22	Price Feb. 9, '23
California Petroleum	68	81
General Asphalt	48	44
Houston Oil	70	74
Invincible Oil	14	17
Pacific Oil	46	44
Pan-American	91	92
Phillips Petroleum	47	55
Pure Oil	29	29
Royal Dutch	52	49
Sinclair	35	34
Standard N. J.	41	41
Texas Co.	48	48

It will be observed that out of the 12 stocks listed, five made comparatively large gains for so short a period, three were almost stationary, and four made small losses. The general trend, however, was upward, principally as a result of the stimulation given these shares by recent announcements of price increases in both crude petroleum and gasoline.

What the future will hold for this type of shares is, of course, hazardous to predict but it seems reasonably certain that, with the industry facing what will probably be a record-breaking year in consumption, the better oil shares will give a good account of themselves before much time elapses.

Mining

Miami Copper Co.

Low-Cost Producer Increases Output

Miami Playing a "Lone Hand" Game—High-Grade Ore and Good Recovery Methods Bring Low Production Costs—Unique Dividend Record

By F. J. HAWKES

MIAMI COPPER will be remembered by investors as one of the three important copper stocks that continued paying dividends through the worst of the 1920-21 depression, the others being Utah and Calumet & Arizona. In other respects, too, Miami has shown a strong tendency to act in accordance with its own best interests, irrespective of what the rest of the copper industry was doing.

In 1920, and 1921, for instance, when the greatest concern of the trade was to cut down production so as to get rid of the surpluses left as a legacy of the war, Miami did what few other companies could afford to do—went right on increasing production over the previous year, at a time when other producers on the average were working at 45% of the 1918 rate. Again, when the Copper Export Association was being formed, Miami joined in the pool with the other big producers, but shortly after quit the Association on the ground that it did not need assistance in financing its export sales and could market its production to better advantage through its own organization and resources.

Miami's Earnings and Dividends:

	Earned	Paid
1912	2.81	1.50
1913	1.75	2.00
1914	1.65	1.50
1915	4.56	2.25
1916	7.27	5.75
1917	4.29	8.75
1918	4.00	4.50
1919	—0.42	2.50
1920	1.89	2.00
1921	—1.25	2.00
1922	4.20*	2.00

* Estimated.

Miami's Costs of Production

This points evidently to a low production cost, which alone could put a company into such a strong position as indicated by the foregoing actions. At the present time, with a 15-cent market for copper, Miami is producing at a cost of 9 cents a pound, as low as its cost in early 1916, which is something of which few American copper companies can boast. Part of this is due to the utilization of the efficient oil flotation process developed by Minerals Separation, Ltd., which was finally settled out of court early last year. After some litigation the company paid $800,000 as accrued royalties for the use of the process in previous years and henceforth became a licensee.

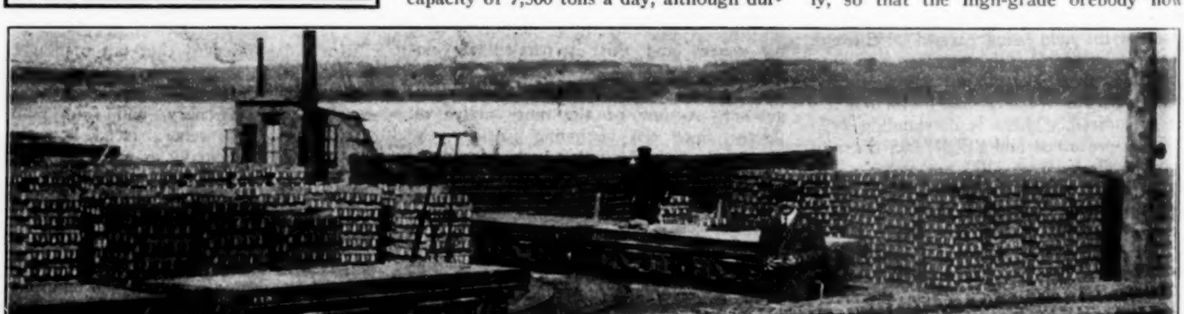
The company's mineral lands cover 222 acres, situated near Globe, Arizona, while it has an additional 2,051 acres utilized for water rights, buildings, etc. It has one shaft in active operation, and the recently-completed No. 5, the older No. 4 having been abandoned, because of settling of the surface. It has an ore hoist and crushing plant equipped to handle 15,000 tons a day, while the concentrator, in six sections, has a maximum efficiency capacity of 7,500 tons a day, although during 1922 very satisfactory results were obtained by using only five sections. The percentage of recovery runs high, being usually well over 80%, and in the year just past was probably greater on account of the wider utilization of the flotation process according to the new agreement.

Miami's Copper Production:

1914	25,309,406
1915	42,723,045
1916	53,962,395
1917	43,863,699
1918	58,400,000
1919	53,558,809
1920	55,581,328
1921	53,311,941
1922	67,500,000*

* Estimated.

The ore reserves at the end of 1921 consisted of 8.9 million tons of high-grade sulphide ore, averaging 2.26%, 36 million tons of low-grade sulphide ore, averaging 1.06%, and 6 million tons of a mixed sulphide and oxide ore, averaging 2.00%. In recent years the company has been working the higher-grade orebody alone, replacing the top-slicing method of mining by undercut caving, which cut the mining cost per ton considerably. During 1921 the company did practically no development work at all, and it is not believed to have done much last year. At the current rate of production it requires little under 2 million tons of ore annually, so that the high-grade orebody now



Copper ready for shipment at Lake Linden, Mich. Production increasing

being worked will be exhausted in another four years, unless further development work is done or the lower-grade ores utilized. Mining men believe, however, that further additions to known ore reserves could easily be made by continuing blocking-out and development.

Earnings have usually been good, as the accompanying figures indicate, and dividend payments proportionately generous, particularly in view of the fact that the par value of the stock is $5. The 747,114 shares outstanding constitute the entire capitalization of the company. In spite of its liberal financial policy, however, the company was able to pile up a surplus of 19.6 millions at the end of 1921, and a working capital of 6.3 millions. The largest item in this respect was "sundry investments and securities," valued at 4.3 millions, around which figure it has been since 1918.

As the company had only $261,970 in cash at the end of 1921, with a payment of $800,000 during 1922 on account of the settlements with the Minerals Separation, Ltd., it has probably had to liquidate a part of its investment account, unless the plaintiff were willing to accept notes.

Earnings

Estimated earnings for 1922 work out to something over $4 a share, on the basis of an average price for copper received of 13½-14 cents per pound, production cost about 9 cents per pound, and output of 67.5 million pounds. This does not allow, however, for depletion, which proved a serious item in 1921. In that year, the company carried nearly $930,000 over to surplus on account of net earnings, before depletion for the year, amounting to 1.7 millions. On deducting from the company's reported "net" figure this amount for depletion and also $315,000 for appreciation of securities during the year, credited by the company to income account, the result is a deficit on earnings of 1.1 millions, instead of the alleged surplus.

Should depletion to the same amount be charged to the operations for 1922, which would seem reasonable, as from 1916 to 1921 deductions for depletion have averaged 1.9 millions annually, net for the year would amount to only 1.7 millions, or but little over $2 a share, which is the current dividend rate.

There must also be taken into consideration the $800,000 paid to the owners of the flotation process, amounting to over $1 a share which, while attributable to the operations of previous years, and hence legitimately a deduction from surplus, will nevertheless have to be paid for from income received during the year unless securities owned are liquidated, in either case a weakening of the financial position.

Moreover, on the operating end the company is faced with the dilemma of either engaging in expensive development work during the next few years, as its present reserves will last for only 3-4 years more, or else working on the lower-grade ore, which it has not touched for years, since the latest development of these orebodies in 1918. In either case, operating expenses are bound to go up, and the possibility of increased dividends to that extent lessened.

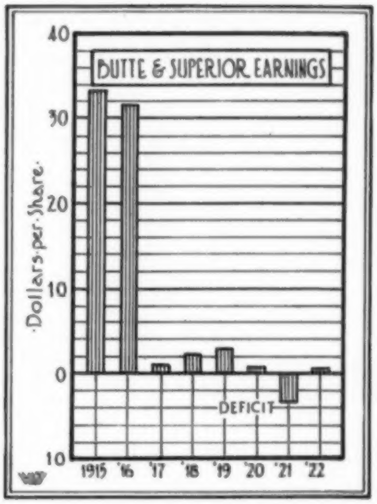
At the same time, it must not be forgotten that in the six years ending in 1921 the company had built up a depletion reserve, in acknowledgment of the foregoing situation, amounting to 14.2 millions, or $19 a share, compared with a present market price around 27. **Taking all things together, the possibilities of the company do not seem at the present time to outweigh the relatively low yield of 7.04%.**

Butte & Superior Mining Co.

Company Once More Prosperous

Improving Zinc Market Favors Leading Producer's Shares — New Copper Orebody Discovered—Can the Dividend Be Maintained?

THE great strength in zinc which has featured the metal markets of recent months has had its stock market reflection in a decided upturn in zinc stocks. This metal fluctuates in price, demand, supply, and accumulated stocks more than most others, because of the great elasticity in its supply. Producing facilities, ranging about 350,000 tons annually before the war, have been doubled since, and the efforts to increase the demand for it and the great ease of opening and closing mines and smelters have led to a state of periodic, recurrent overproduction. At the present time, the industry is in the prosperous half of one of these cycles, as the brass and galvanizing industries, the two great customers of the zinc industry, are both active, with their products in great demand at increasing prices.



As a result, Butte & Superior, which shut down completely in November, 1920, and stayed shut all through 1921, resumed operations on a small scale early in 1922 and, as the zinc market waxed in strength, increased its output until at the present time it is very close to capacity operations. This will illustrate the great variability of the industry.

In addition to these unstable conditions, however, Butte & Superior has had to contend with rather more than its share of bad luck. Soon after its incorporation in 1916, as a successor to the old Butte & Superior Copper Co., Ltd., it acquired 35,000 shares of common stock of the American Zinc, Lead & Smelting Co. by issuing 17,500 shares of its own stock, an investment which has turned out rather poorly, as it has paid no dividends since May, 1917. Moreover, during the height of the zinc war boom the Butte & Superior Co. was hampered by a one-sided contract with the American Metal Co. which practically gave the latter an option on all of Butte's tonnage of ore, and which was not modified till the third quarter of 1918.

More Trouble

During a part of 1919 the company was involved in litigation with the Clark Montana interests on account of trespass on apex rights, later decided against Butte, which had to pay the plaintiffs 2½ millions for damages. From 1917 on, the company was involved in litigation with the Minerals Separation Ltd., like many other mining companies, and like most of them, finally lost the suit in May, 1922. However, it was not penalized for the past use of the flotation process, but became a licensee paying a fee to the Minerals Separation North American Corp. The uncertainty over the litigation had caused the directors to pass dividends in 1917, and they were not resumed till December, 1922, when 50 cents per share was paid out.

The company's property consists of 170 acres of claims owned outright and fractional claims, options, and controlled claims totalling another 230 acres, all situated on the Rainbow Lode of Montana. This district was originally mined for silver, but as the silver was progressively exhausted in the lower levels, important commercial deposits of zinc ore were discovered, increasing in size and value from the 500-foot level down. It is important to observe, however, that the assay of the zinc ore has been steadily decreasing in recent years, from 18% in 1914 to less than 14% in 1920, the last year for which operating statistics are available on account of the 1921 shutdown.

In addition to silver and zinc, the company produces copper, gold and lead, the

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·SERVICE · SECTION·
·OF·
·THE MAGAZINE OF WALL STREET·

IN THE BANKING WORLD

Conducted by
H. Parker Willis

Discussions of Current Problems and Reviews of Recent Events Conducted in the Interest and for the Use of the Banker Readers of THE MAGAZINE OF WALL STREET

Mr Willis Was Formerly Secretary of the Federal Reserve Board Later as Director of the Bureau of Analysis & Research. He Developed the Board's Present National System of Financial Reporting

Bank Stocks as Investments

Margin of Bank Earnings — Are Bank Stocks Profitable?—Their Market

THE ownership of banks in the United States has long been a subject of general discussion but without any very definite result. It is probable that from this time forward there will be the same effort to distribute the ownership of bank stocks that is being noted in other branches of business, and that attempt will be made to build up carefully a large clientele of small holders who will be regarded as permanently the holders of the shares. This raises the question what kind of an investment bank stock is and by whom it should be held.

Different Types of Bank Ownership

There are several different types of bank ownership in the world at the present time. One of them is very well illustrated in several of the European countries where bank stock is very largely held by a small number of capitalists and the bank is regarded as in a sense an adjunct to the manufacturing or mercantile business. A different type of ownership is to be noted in a good many of the smaller towns of the United States where the bank is a purely local creation organized, capitalized and officered by home talent. In such cases there may be a fairly wide division of the stock of the bank. Still a third type of ownership is now seen in some of our cities where the effort is distinctly made to have the ownership and control of the institution in the hands of large borrowers who direct it for the purpose of gathering in the spare funds of the community and relending such funds to themselves in as large proportion as the law will allow.

No inclusive statistics as to bank ownership have been published, but experience on the part of practical bank managers show that there is a strong tendency to concentration. In the country towns where bank stock is at first pretty well divided among a large number of individuals, effort is made to eliminate those who are not satisfactory depositors and who do not bring to the bank a certain proportion of business which can be relied upon to earn an income for the institution. In the cities there has been a tendency to gradually buy in the stock of successful banks, insofar as practicable, because of its valuable investment qualities.

In a general way, therefore, it may fairly be said that the movement of the stock of banks has frequently been toward a comparatively small number of hands, the purpose being either to insure control or to obtain a strong hold upon the institution in order to direct its loan policy. Both of these tendencies, although entirely legitimate in the outworking, are a bad thing for the banking system as a whole, and it is probable that in the future there will be a more and more positive effort to bring about the diffusion of bank stock ownership and to keep it widely distributed in the hands of investors as already indicated.

Reasons for Wide Ownership

From the standpoint of the bank itself a wide ownership is extraordinarily important. It is in fact so important that the considerations of business-getting and the like which have dictated closer control are of entirely secondary significance. The general organization of our national financing is now sharply under fire. Efforts to regulate rates of interest which have long been popular in legislature are continuing with unabated vigor, and in many other ways there are movements in progress whose purpose it is to bring about a more decided control of the bank and to subject it to oversight in a degree that has heretofore not been possible. Other corporations which feel this same kind of pressure are endeavoring to meet it by enlarging their stockholding clientele and by getting the consumers of their product to buy and hold shares or bonds in the belief that this clientele will eventually be the authority to which appeal will be made for the fixing of rates or charges or conditions of business. The small independent banks of the United States are in a favorable position to resist aggression—a fact which does not hold good of the large banks of other countries whose ownership is highly concentrated, but even these small banks must be popularly owned in order to convince the public at large that the cry of "monopoly" is not applicable to them.

Is Bank Stock Profitable?

So few people, relatively speaking, are the owners of bank stock as compared with other stocks and bonds that the question is often asked whether bank stock is profitable or not. According to the Comptroller of the Currency the total capitalization of the banks and trust companies in the United States numbering about 30,000 is in the neighborhood of about $5,800,000,000 (surplus included). On this sum an average earning of probably about 15 to 16% is being earned and declared. For the last year reported the average dividend of national banks was 12.42% or 6.88 when compared with surplus and capital combined.

While this rate of earnings is not as high as that which prevails in a good many corporations engaged in industrial activity, it must be remembered that it does not necessarily represent the entire earnings. The banks of the United States annually carry a considerable amount to surplus and undivided profits, the amount so carried being last year approximately $216,000,000 or $58,000,000 over dividends. On the whole, therefore, it must be admitted that bank stock, even as things stand, is a very satisfactory investment when it is remembered that the percentage so declared cannot be taken as representing the actual percentage on capital invested, including in the latter surplus as well. If

the rate of return be reduced to a basis of capital and surplus it will show for the national banks about 14½ to 15% with (as already seen) a somewhat greater average for the state banks.

It should be recalled, however, that in the United States the cost of conducting banks is extremely high on account of the large "overhead" which grows out of the independent bank system. This accounts for the relatively low percentage of profits earned by many country banks. These institutions are really paying, in unnecessary salaries, earnings which ought to go to the stockholders. Various ways of economizing in the expense of country banking are being developed and, while some of them, such as the chain-bank system, have their own serious faults, they are at any rate working toward the same general object, which is that of reducing the cost of bank operation.

As this falls off, of course, earnings will increase, and while it is true that wherever a bank is found to be highly profitable, new competition speedily develops, competition of this kind is less likely to affect the value of existing investments than it is in almost any other business. A bank which finds itself losing ground can almost invariably sell its assets to, or merge with, some other bank in the community at a fair figure so that the stockholder is at least reasonably protected. For this reason the stock does not ordinarily fluctuate widely in its real value which means that it does not fluctuate widely in the amount that can be obtained for it under favorable circumstances.

Market for Bank Stocks

It is true, however, that current quotations on bank stock often vary a great deal. This is because it is inactive and moves slowly while a good many banks even of the larger size have for some reason been disinclined to see their stock listed on the various exchanges. It is on the whole desirable that it should be so listed, not only in order to give the small investor as much access to it as possible, but also to enable the small investor to sell under favorable conditions whenever he finds it necessary to do so. It is often argued that the making of a ready market for bank stocks tends to intensify the movement toward concentration already referred to. There is undoubtedly some truth in this statement but the movement toward concentration, insofar as accelerated by ease of marketing, can be offset through effort on the part of bank managers and owners designed to bring about a wider distribution. This, as already seen, it is highly to their interest to develop.

Reference is often made to the abnormal earnings of Federal reserve banks which at one time ran up to 100% or more of capital. These earnings were the outgrowth of war conditions. There is no comparison between them and the ordinary earnings of banks. Federal reserve banks enjoy important monopoly privileges and at the same time they furnish costly services which the ordinary bank is not called upon to supply at all. In the same way some attention has been attracted by the large earnings realized by joint stock land banks. These earnings again are the outgrowth of the unusual conditions produced by the granting of a very valuable privilege to these banks in exempting their bonds from taxation. There is no analogy between them and other banks and in the case of all banks which enjoy monopoly privileges and tax exemption it is proper that their surplus earnings over and above a moderate figure should be paid the Government in the form of taxation or franchise payments.

Cooperative Movement in Banking

One of the most interesting recent phases in banking is seen in the application of the cooperative movement to it. By this is meant the effort that has currently been made to establish banks owned by trades unions or other organizations whose function it was to collect from their members considerable sums which it was then necessary that they should invest or otherwise dispose of. The fact that such organizations have turned to the banking field is instructive, not only because it shows an appreciation of the value of bank stock as an investment, but also because it furnishes a good example of the way in which banks may serve the joint needs of a large group of men with moderate savings from which stockholders are by these means of investment enabled to get the full earning power. Thus far some 15 or 20 such institutions have been created and in some cases a very substantial return has been realized, running as high as 8% on the original investment with a part of the profits set aside for distribution to depositors in the form of interest on their accounts. Banking in some ways is peculiarly well adapted for this kind of cooperative control and where good management is assured there is no reason why it should not result in reasonable profits for the shareholders.

Action on Rural Credit in Doubt

Obstacles to Legislation Again in Sight—Hasty Action Deplored—Clearance and Branch Issues in Abeyance

Washington, February 6.

IN spite of the fact that the Senate has passed the Capper Rural Credits bill providing for discount corporations which will furnish "intermediate credit" to farmers, and the Lenroot bill providing for various extensions of the power of Federal land banks, while it is still at work upon the so-called Strong bill whose purpose it is to "liberalize" the farm loan act in various directions, the real legislative situation and outlook appears to be about as obscure as ever. The latest development of it is seen in a serious proposal originating with the "leaders" to have the House Banking and Currency Committee merge all these bills, as well as some provisions taken from other proposed enactments, into one, which shall be put through and become law before the close of the session. This would be possible only through an agreement on the part of the Senate to accept it in lieu of the action taken on the various independent measures of legislation, followed by hasty action just at the close of the session.

Programme Meets Difficulties

This programme is, however, meeting with serious difficulties, even in the early stages of negotiation, due to the fact that the bills which the Senate has passed probably could not have gone through it if they had been acted upon simultaneously. The entire dose, with its drastic changes in existing banking legislation, as well as its ambitious plan to establish a complete new system of institutions designed to furnish "intermediate credit," would have been too "strong" for the Senate which still contains elements of conservative thought. Whether, if the radical elements in the House, combined with a certain group of members who expect to smooth the path of ship subsidies by extreme legislation on rural credits, should get their own consent to acceptance of such a measure, it could be forced through the Upper House by "steamroller methods" in the closing hours of a busy short session, is still to be demonstrated. Inquiry among the members of the Upper Chamber indicates the growth of a very serious feeling of doubt and reluctance on their part with respect to the probable outcome of what they have done. It may be questioned whether, if the work of the past session were to be done over again, the Senate could be induced to take it up at all, certainly at this time, inasmuch as there has been no opportunity for adequate study. For that of course there is none today, since the adjournment of Congress is less than a short month distant. Not a few members already openly express regret at the haste with which they have acted. Thus it may easily be that any attempt on the part of the House of Representatives to broaden the scope of the measure, through the

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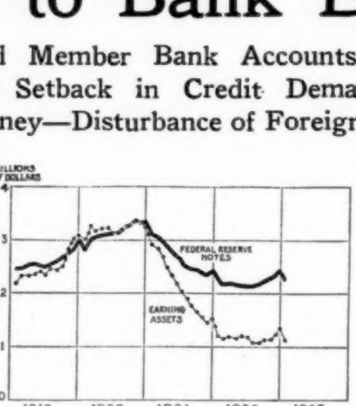
·SERVICE·SECTION·

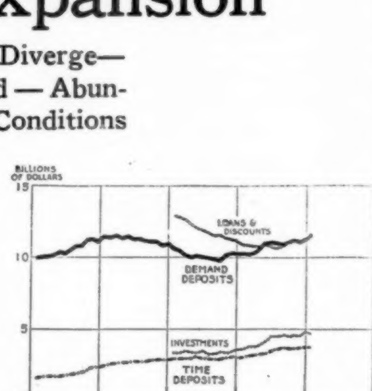
A Check to Bank Expansion

Reserve and Member Bank Accounts Diverge—Unexpected Setback in Credit Demand—Abundance of Money—Disturbance of Foreign Conditions

DURING the month of January there has been an interesting development in the banking situation. It is seen in the check that has been administered to factors of expansion that had been brought into operation previously and that had tended to provide a basis for the belief that something like inflation was on its way. Now the inflation situation has somewhat altered although the basis for it is still obvious. But the accounts of Federal Reserve and member banks are not moving together as they were but are rather apart. The situation has important investment bearings.



Bank Credit—All Federal Reserve Banks



Bank Credit—800 Member Banks in Leading Cities

Movement of Reserve Bank Credit

While during the month of January there have been weeks in which the bill holdings of Reserve banks showed an upward movement as compared with preceding weeks, there have been others when a drop was reported. No consistent tendency, in other words, has been observable. The amount of bills held has increased but slowly during the month—not as fast as the season of the year and the demands usually experienced at that time would have ordinarily warranted. At the same time, there has been only moderate advance in the bill holdings of the representative member banks. The latter banks have not thought it necessary to draw upon the Reserve Banks in an increased degree, and the result has been to hold credit about stable in volume at the member institutions while at the Reserve Banks the tendency has, relatively speaking, been downward. This situation can be clearly reviewed in the accompanying diagrams in which the Federal Reserve Board has traced the movement of some of the chief accounts. In these diagrams the salient figures are segregated from the general diagrams illustrating banking condition regularly printed (in alternate issues of the Magazine), in order to afford a clearer view of the trend.

Reasons for Slackening of Demand

There are some reasons for the slackening of demand that deserve careful consideration. Among them is the steady flow of gold into the United States. Another is the transfer of capital to this country. Such capital is coming once more from European sources in countries where investors are not satisfied with the outlook, but believe that they can get a greater degree of security and safety by transferring their funds to the American market. It is also true that the comparative stability of prices, which has prevailed for a few weeks past, has considerably tended to stabilize the borrowing situation, besides suspending the movement toward increase in the amount of loans needed for the financing of a given volume of business.

It is to be expected that the usual seasonal advance in demand will set in shortly, and that it will be reflected in the portfolios of reserve banks, inasmuch as many member banks are now well "loaned up"; and have to supply any additional calls for accommodation out of borrowings which they present to reserve banks. This, however, is a different matter from the steady upward expansion of credit regardless of seasonal demands which has been in progress for some time past;—or had been so in progress until recently. The apparent slackening of commercial calls exerts a good effect upon the investment market by assuring a larger and more abundant supply of money for Stock-Exchange lending. Indications now are to the effect that this supply will be larger during the coming spring than had been expected, and that rates may be corresponding reasonable.

The bank debit situation shows that activity of credit continues higher than last year at this time, but with the volume of deposits so greatly enlarged as it is at present, the excess over a year ago being figured at near $3 billions for all of the banks of the country, a very moderate activity of deposit accounts suffices to transfer a much larger volume of goods than with a smaller volume. This fact tends to account in some measure for the lower volume of borrowing to which reference has already been made.

Exchange Conditions Chaotic

It is still in the realm of foreign ex-

·SERVICE · SECTION·

...nge finance that doubt and uncertainty are chiefly to be found. There is of course improvement in sterling as the result of the British debt plan, and the sound financial policy that is being pursued by English public men. This may be expected to continue, especially if Congress should completely ratify the proposed adjustment. As for the Continental currencies, about the best that can be said is that many of them can hardly be much worse and that they must, therefore, get better if anything rather than worse.

Business today finds it a matter of increasing difficulty to finance shipments to Continental countries except insofar as this can be done through British channels. The exchange diagram clearly illustrates how this situation is developing and sharply emphasizes the conditions to which reference is thus made.

The Federal Reserve Statement

Significance of the Various Items

HOW to use the statement of the Federal Reserve System as an index or indicator of banking and business conditions is a question that has apparently troubled a good many minds of late months. Most of what is said on the subject has to do with what is called the reserve "ratio" by which is meant the percentage borne by cash on hand to outstanding demand liabilities. There are a few other items in the statement that are currently referred to, very frequently. Among them is the amount of gold held, which seems to be thought of as indicative of prosperity or soundness or perhaps of credit granting power.

Most of these interpretations are erroneous or without basis. Due to the peculiar structure of the Federal Reserve System, there is need for a good deal of caution in interpreting its figures and reports of condition. The practice of using the same methods that are employed in connection with the great central banks abroad has but little warrant. The reason for this difference in methods of interpretation may be briefly stated as the fact that whereas in foreign countries the central banks deal largely with the public, the Federal reserve system deals only in a very minor way with individuals and concerns itself almost exclusively with banks and with the Government. There are, however, a few items in the Federal Reserve statement which may be studied to great advantage for the bearing they have upon business condition.

The amount of discounts extended by the Federal Reserve System representing loans directly made to member banks upon paper "rediscounted" for them with their endorsement shows the extent to which member banks are calling upon Federal Reserve banks for accommodation. The figures giving the amount of bills bought show the extent to which they have gone out into the bill market; and the two together, representing total bill holdings, if traced from week to week, show the volume of the commercial credit which is being extended.

Unfortunately at the present time, there is a good deal of borrowing on collateral —Government securities of one sort or another—which obscures the real scope of the demand for bona-fide commercial credit. Then again, it is a fact that in some parts of the country a reserve bank may be increasing its credit extension; while, elsewhere, another is reducing it so that the two tendencies cancel when the figures are consolidated for the twelve banks. Better results are, therefore, obtained by studying the bill holdings of those banks which are increasing their extensions and comparing them with the holdings of those which are reducing them. When there is an increase in bill holdings, the indication may be assumed to be that the banks of the country are disposed to rely more largely upon reserve bank credit, presumably because they are, in many cases at least, "loaned up." This means then a situation in which higher rates are at least contemplated as a probability, while the reverse situation points in the opposite direction.

In many central banks, the increasing or waning of the gold holding is looked upon as a most significant element in the statement. Gold holdings are supposed to afford an index of the credit granting power of the institution. Just how far this is true and just what limitations must be imposed upon it we need not discuss. It is enough to say that in the Federal reserve system at the present time changes in the volume of gold held are of little or no importance because of the fact that the volume of gold on hand is so immensely greater than any probability of early credit extension would require. At the present moment the great quantity of gold on hand is frequently referred to as affording a temptation to what is called "inflation." This kind of discussion is largely without basis, inflation being quite as dangerous under certain circumstances when gold is scanty as when it is abundant.

At present, fluctuations in Federal reserve gold supply are chiefly interesting as showing the extent to which gold is being replaced in the circulation. The reserve "ratio" is of little or no use as a "business indicator" in the sense ordinarily given it and has no direct bearing on business conditions so long as the present state of things prevails. It would have only an indirect bearing if gold holdings had been greatly reduced—due to the peculiar structure of the Federal reserve system.

The item "notes" is frequently scrutinized as an index of inflation, but at present is of relatively little interest because it represents a currency which has been issued primarily to take the place of gold. Insofar as the Federal reserve notes are really gold certificates they do not affect the price situation differently from the presence of an equal amount of gold and their bearing on conditions is limited. More important is the item "reserve deposits" which, if large as compared with the requirements of law, shows that there is a substantial margin above the minimum book credit required of member banks so that rediscounting is not likely to occur. If small, the assumption may be that rediscounting is likely. In this connection, however, it should be remembered that a good many member banks are now carrying their surplus reserves in the form of acceptances, so that a need for more funds on the part of members merely results in a shift from acceptances to reserve credits, the reserve bank buying the acceptances. The use of the figure for reserve deposits as an indicator bearing upon interest rates or business conditions is thus surrounded by some rather serious difficulties, although at times and with full knowledge of the situation it may have useful significance.

From what has just been said it may fairly well be concluded that the interpretation of our reserve bank statement is not easy, current "forecasters" to the contrary notwithstanding. In fact, it is of little value except as studied on a comparative basis, figures being contrasted with those of former times. Even this comparison will not be of much service unless it takes into account the statement situation of the member banks themselves. This latter has become a more complex matter of interpretation since the organization of the reserve system. The main ideas in connection with it will be ex-

SERVICE SECTION

ANSWERS TO INQUIRIES

Industrial Securities

$10,000 TO INVEST IN STOCKS

In View of Unsettled Conditions Advice Is to Select Conservative Issues and Include Good Preferred Stocks

I have $10,000 on hand that I propose to invest in stocks that will give me a fairly liberal return on my investment and that have prospects of advancing in price. Would you advise making the investment at this time and what stocks do you favor?—G. T. E., St. Paul, Minn.

We do not consider it a very good time to invest a large percentage of your money in common stocks in view of the critical European situation and the fact that securities are generally at a high level. There are some common stocks, however, in a sound position and we feel you could to advantage place half of your $10,000 in these and half in preferred stocks that give you a good return. We are pleased to submit for your consideration the following list:

	Dividend	Price
American Woolen	7	95
Detroit Edison	8	108
Atlantic Coast Line	7	114
American Steel Foundries	3	36
U. S. Rubber preferred	8	102
Julius Kayser preferred	8	102
American Water Works & Electric 1st pfd.	7	91
Coca-Cola preferred	7	94

This would give you a well-diversified list, a liberal return and prospects for appreciation in value of the principal.

TIMKEN ROLLER BEARING

Earnings on Favorable Basis

Would like to know the latest earnings, capitalization and financial condition of Timken Roller Bearing.—J. G. N., Philadelphia, Pa.

Timken Roller Bearing's capitalization consists of 1,200,000 shares of common stock of no par value. For the six months ended June 30th, 1922, after deduction of depreciation and estimated Federal taxes, net profits were $4,095,630. These earnings were at the rate of about six and a half dollars a share on the present capitalization. The company is in strong financial condition with a working capital of about nine million dollars. It is the most important factor in its line which is the manufacture and selling of anti-friction bearings for vehicles of all kinds. The company has greatly benefited by the activity in the automobile trade and, while this industry is prosperous, it should continue to do well.

INTERNATIONAL COMBUSTION ENGINEERING

Has Well-Established Business

Your opinion of International Combustion Engineering will be appreciated.—M. V. M., Boston, Mass.

International Combustion Engineering's capitalization consists of 202,626 shares of stock of no par value. The bulk of the company's business is automatic stoker devices, but it also has side lines such as the Lopulco System for burning coal in pulverized form. For the year ended December 31st, 1921, net profits after taxes, depreciation, etc., were $596,990, equal to nearly three dollars a share on the stock. In the first half of 1922 net earnings more than covered the dividend requirements and for the full year it is anticipated that the present dividend rate of $2 will be earned with a good margin to spare. We feel that the company has a sound business and that the outlook for future prosperity is good.

TWO SWITCHES SUGGESTED

With Better Immediate Prospects

What is your opinion of Central Leather common and Union Oil? I am holding both stocks at a loss.—V. B. L., Passaic, N. J.

In view of the fact that Central Leather now has a big profit and loss deficit and is paying nothing on the preferred stock it will be a very long time, in our opinion, before the common stock can ever receive anything and we feel that your position would be improved by switching into Spicer Manufacturing, selling at 21. 1922 earnings are estimated at around $4 a share and the outlook is for still larger earnings this year. It is one of the most important of the automobile accessory companies, its universal joints being considered standard equipment.

Union Oil of Delaware has been exchanged for Shell Union. We do not feel that Shell Union has very good prospects of appreciating in value in view of large capitalization of 8 million shares and the low price prevailing for Coast crude and our suggestion is that you switch into Mother Lode Coalition selling around 11 and paying $1 per share. This is one of the lowest cost producers of copper in the world and should be able to maintain its dividend with the metal at 14 cents.

LEE RUBBER & TIRE

Has Speculative Possibilities

How are earnings of Lee Tire running and what is your opinion of the stock?—S. L. H., Atlantic City, N. J.

Lee Rubber & Tire for the nine months ending September 30th, 1922, reported $1.85 per share on its stock as compared with $2.12 for the same period in 1921. It was stated on November 17th, 1922 that the company was entirely free of bank loans and that sales of tires in the nine months showed an increase over the same period of the preceding year of 15% and tubes 40%.

For the full year 1922 it would appear that the company will succeed in earning its present dividend of $2, which is a good showing as conditions generally were not good for the tire companies in that year. With the outlook improved and the price of tires increased a better showing is anticipated in 1923. We feel that the stock has rather attractive long pull speculative possibilities.

CALLAHAN ZINC

Increasing Operations

Please let me have your report on Callahan Zinc of which I hold 300 shares at an average price of 7⅛. Would you continue to hold it?—S. G. F., Kenosha, Wis.

Callahan Zinc & Lead for the year ended December 31, 1921, reported a deficit of $156,379, but the company was not operating during that year. On November 1, 1922, however, the company resumed operations. In 1920, Callahan produced 38 million pounds of zinc, 19 million pounds of lead and 332 ounces of silver. Shipments from the company's mine in November were 2 million pounds of zinc concentrate, 785,000 pounds of lead and 6,800 ounces of silver. Shipments in December were 3,400 pounds of zinc, 2,340,000 pounds of lead and 22,000 ounces of silver. This rate of production is slightly in excess of production of 1920, when this company succeeded in earning 69c a share on the stock. Capitalization consists of 500,000 shares of stock having a par value of $10. With the better prices prevailing for zinc and lead, earnings of this company may warrant somewhat higher prices for the stock. In our opinion, however, you would do well to switch into Butte Copper & Zinc selling around 10 as this company has resumed dividends. 50 cents having been declared and we believe it has better prospects.

CANADIAN CAR & FOUNDRY
Deficit in 1922

Back in the war boom in 1915 I purchased 25 shares of Canadian Car & Foundry at around 100 and have been holding ever since without dividends, hoping that the company will come back. Would you advise me to continue to hold the stock or accept the large loss?—J. N. M., Huntington Park, Cal.

Canadian Car & Foundry for the year ended September 30, 1922, reported a deficit of $586,632 as compared with a surplus of $107,603 in 1921 and a surplus of $539,387 in 1920. Capitalization consists of 7 millions of bonds, 7½ millions of 7% cumulative preferred and 5 millions of ordinary shares of a par value of $100. In addition there is 1½ million scrip outstanding which was given to preferred stockholders in December, 1920, in payment for back dividends due. In October, 1921, the preferred dividend was passed and none paid since, so that there is 10½% back dividends due. Company is in good financial condition, balance sheet as of September 30, 1922, showing current assets of 4½ millions as compared with ½ million current liabilities. Canadian Car & Foundry has eight manufacturing plants in which it produces finished passenger and freight cars or the various parts entering into their construction.

In view of the good financial condition of the company and the better

(*Please turn to page 736*)

Inquiries on Public Utilities

AMERICAN RAILWAYS
Earnings Improved

I will appreciate some information in regard to American Railways and your opinion of the common and preferred stock, of which I am a holder.—A. K., Pottstown, Pa.

American Railway for the 12 months ending October 31st, 1922, showed net income of $738,969 and a balance available for dividends on the common stock of $505,635. For the year ending December 31st, 1921, net income was $564,082. As it only takes $280,000 to pay the 7% on the $4,000,000 preferred stock it would appear that this security has attractive speculative possibilities at present levels of 71. There are $3,000,000 7% notes which fell due February 21st, 1922, but 90% of these were deposited for an extension of three years.

A refinancing plan has just been approved by which the accrued dividends up to Nov. 1, 1923, on the preferred stock will be paid off through new preferred stock to the amount of 19¼% of holdings. Further quarterly dividends will be paid in preferred stock until the company has accumulated a 1 million dollar surplus when cash dividends will be resumed. Name of the company has been changed to American Electric Power Co. The common stock is not very close to dividends but in view of good earnings and this refinancing plan it has speculative possibilities.

CITIES SERVICE
Capitalization and Earnings

Will appreciate the latest figures you have in regard to earnings of Cities Service. What is the present capitalization of the company?—N. K. R.

The capitalization of Cities Service Co. consists of $29,593,000 funded debt; $78,593,932 6% cumulative preferred; $3,446,970 Series B second preferred and $46,511,016 common stock having a par value of $100. Included in the amount of common stock outstanding are 95,000 shares deposited with the Bankers Trust Co. against which 950,000 "Bankers" shares have been issued, each Bankers share representing a 1/10 interest in the deposited shares of Cities Service common stock. Dividends on the Bankers shares are being paid at the rate of 17½c. monthly in scrip, 5c. redeemable for cash and 12½c. for stock. For the year ended December 31, 1921, 13.04% was earned on the common stock which is equal to $1.30 per share on the Bankers shares and on basis of monthly reports earnings for 1922 will be approximately the same.

DETROIT EDISON
A Sound Public Utility

As a holder of 50 shares of Detroit Edison would like your opinion as to the outlook for this security. Paying 8%, the stock would seem attractive at present price of 108 if the dividend is secure and I am contemplating the purchase of an additional 50 shares.—H. F. N., Flint, Mich.

Detroit Edison for the year ended December 31, 1922, reported net income after deducting depreciation equal to $10.48 a share on the common stock which compares with $10.17 a share earned in 1921. The balance sheet as of December 31, 1922, shows an improved financial condition, cash on hand being 2½ millions and bank loans all paid off. While the company has been paying cash dividends of 8% a year since 1916, average annual income to stockholders over a ten-year period has been approximately $9.75 a share due to the value of subscription rights given from time to time. While margin of earnings over dividends does not appear large, the showing is really better than it appears as depreciation charges have been very liberal. In 1922, the company charged off $2,415,000 for depreciation as compared with $1,460,000 in 1921. Detroit is one of the fastest growing cities in the United States and we can see no reason why Detroit Edison should not continue to do well in the future. The 8% dividend appears reasonably secure and at present price we consider the stock an attractive specvestment.

PUGET SOUND POWER AND LIGHT
Common Yields 7.4%

In looking over various public utility stocks I note that Puget Sound Power & Light common, selling around 54, is paying $4 a share, which gives a very good return. I am not familiar with the company and will be pleased to have you give me some information as to capitalization, earnings, etc., before making a purchase.—G. G. H., Dexter, Me.

Puget Sound Power & Light capitalization consists of $41,692,000 funded debt, $3,812,560 7% preferred, $14,793,667 6% preferred and $20,128,425 common. Balance sheet as of December 31, 1921, shows cash on hand of 1.3 millions, notes and accounts receivable 1.9 millions as compared with current liabilities of 2 millions. In April, 1919, the City of Seattle delivered to the company 15 millions 5% utility bonds in payment for the Seattle Street Railway system and the company's business now consists of commercial electric lighting and power in the Puget Sound District. In the years 1920, 1921, and 1922, earnings of the company were about $8 a share on the stock or double present dividend payments. Previous to 1920, earnings were not on as favorable basis, ranging from $1 to $2 a share in the years 1913-1919. However, there would appear to be no good reason why earnings should not continue on the present favorable basis and we consider the stock at present price of 54, yielding 7.4%, an attractive issue.

BRAZILIAN TRACTION
Exchange a Factor

I am interested in Brazilian Traction, Light & Power and will be pleased to get your report on this company. Do you consider the present $4 dividend on the common stock reasonably secure?—D. L. P., Montreal, Canada.

Brazilian Traction, Light & Power Co. in 1921 earned $2.47 a share on the common stock as compared with $5.06 in 1920. This falling off in earnings was largely due to the drop in Brazilian exchange which averaged 12.50 cents in 1921 as compared with over 20 cents in 1920. Exchange is still around the 1921 levels, so that there has been no improvement in

this factor. Earnings of the company, however, have shown a very substantial improvement, net earnings for the 11 months ended November 30, 1922, being 27,352,000 milreis ahead of 1921, so that for the full year 1922 the present dividend of $4 will probably be covered with a small margin to spare. Since the company passed its dividend in March, 1917, surplus earnings of between 15 and 20 million dollars have gone into betterments and improvements. The dividends were omitted not so much through lack of earning power as on account of the loss in exchange in transmitting dividends. In regard to a continuance of the dividend the present rate exchange is naturally an important factor and any lowering of the present rate would be likely to influence directors to take adverse dividend action. Under these circumstances the stock should be regarded as speculative but at present levels of around 44 is not without possibilities for enhancement in value as earnings, financial and physical condition of the property are good.

New Security Offerings

FISHER BODY 6% NOTES
A High Grade Issue

Will be glad to get your opinion of Fisher Body 6% Notes.—D. K. H., Newark, N. J.

Fisher Body Corporation $20,000,000 6% Notes are a direct obligation of the company and the indenture provides that while any of the Notes are outstanding the company or any of its subsidiaries cannot mortgage or pledge any property, except by purchase money mortgages on new property acquired up to 75% of the value, It is also provided that the company will not pay any dividends which would reduce current assets to an amount less than the notes outstanding, and all other indebtedness. Average annual earnings of the corporation and wholly owned enterprises applicable to interest, after depreciation but before taxes, for the 5⅔ years ended Dec. 31, 1922, were over 5½ times the annual interest requirements on the Notes. The consolidated balance sheet as of Dec. 31, 1922, after giving effect to this financing and to the sale of an additional 100,000 shares of common stock, shows total net tangible assets applicable to these notes of 63.6 millions and net current assets of 35.1 million. Maturities and yields at offered price follow: 1924, price 100.48, yield 5½%; 1925, price 100.47, yield 5¾%; 1926, price 100, yield 6%; 1927, price 99.56, yield 6⅛%; 1928, price 98.94, yield 6¼%. We consider this an attractive high grade short term security.

YADKIN RIVER POWER 5s
Yield 6%

Are Yadkin River Power Co. 5% bonds recently offered an attractive investment from the viewpoint of safety and yield?—H. H., Waterbury, Conn.

A yield of 6% on good first mortgage bonds of public utility companies we consider attractive. Yadkin River Power Co. $4,000,000 1st mortgage 5s due 1941 are secured by a direct first mortgage on all the physical property of the company. Earnings for the three years ended Dec. 31, 1922, averaged about $700,000 as against interest requirements on this issue of $375,000. Additional bonds may only be issued for not exceeding 80% of cost of permanent improvements and additions and for purchase of securities of other companies only if net earnings are twice interest charges. At offered price of 89 to yield 6% we consider these bonds a good investment opportunity.

REPUBLIC IRON & STEEL 5½s
An Attractive Investment

How would you rate Republic Iron & Steel refunding and general mortgage 5½% bonds recently offered?—A. M. M., Rock Island, Ill.

We would rate Republic Iron & Steel $10,000,000 refunding and general mortgage 5½% bonds Series A due 1953 as a good middle-grade bond. They are secured by a mortgage upon all the company's real estate, plants, mineral and leaseholds, subject to the lien of the mortgage securing the company's 5% bonds. The entire bonded debt of the company including the present issue is 23 millions as compared with assets valued at over 112 millions. Net quick assets alone are in excess of the bonded debt. The company has decided upon a construction program which it is estimated will be completed by Jan. 1, 1924, which will increase production and is expected to bring about economies in operation. The management estimates that this program will increase earnings by 1½ millions annually, measured by present costs and profits. In the ten-year period ended Dec. 31, 1921, net earnings, after deducting depreciation, depletion and taxes, have averaged over 6 millions, or about five times interest charges including the present issue. At the offered price of 94½ to yield 5.9% if held to maturity we consider these bonds an attractive investment.

EASTERN WISCONSIN ELECTRIC 6s
Yield 6.65%

Do you consider Eastern Wisconsin Electric 6% bonds offered at 92½ to return 6.65% sufficiently well protected for a business man's investment?—J. G. H., Milwaukee, Wis.

Eastern Wisconsin Electric Co. 1st Lien and Refunding 6s Series A are secured by mortgage on all the property of the company subject to $3,847,000 outstanding underlying bonds of which $1,182,000 will be retired October 1, 1923. They are further secured by $1,852,000 1st mortgage 5s deposited with Trustee. Net earnings for the 12 months ended November 30, 1922, were $538,180 as against interest charges including this issue of $307,370. The company is serving 25 communities with an estimated population of 110,000. We consider the bonds a good business man's investment.

BETHLEHEM STEEL 5½s
Yield 6%

Bethlehem Steel Co's. new bond issue I note is offered at a price to yield 6%. If you consider these bonds a good and conservative investment I intend to make a purchase as the return is about what I average on my bond holdings.—R. T. D., Bay City, Mich.

Bethlehem Steel $25,000,000 Consolidated 5½s Series B due 1953 are a direct obligation of the company and have a total lien (direct or through pledge of stocks), upon all the plants and raw material properties of the system having a depreciated book value of 265 millions, subject to approximately 101.5 millions underlying bonds in the hands of the public. The mortgage will share in prior liens through pledge of nearly 25 millions of bonds of the same issues. Additional Consolidated mortgage bonds may be issued for the retirement of underlying issues and for not exceeding 80% of the cost of investments in properties. For the eight years ended Dec. 31, 1922, combined earnings of Bethlehem and Lackawanna, after depreciation, depletion and taxes, averaged more than 3.6 times the total interest charges including this issue. In these eight years, combined dividend payments have totaled 65½ millions, in comparison with over 115 millions put back into the business. Proceeds of this issue are to provide funds to retire the 1st mortgage bonds of Lackawanna due April 1, 1923, and unconverted balance of Bethlehem 7% notes due July 15, 1923. At offered price of 93 to yield over 6% we consider this a good bond in which to place a portion of your funds.

CUYAMEL FRUIT STOCK
A Speculation with Possibilities

What is your opinion in regard to making an investment in Cuyamel Fruit Co. stock?—G. K. M., New York City.

Cuyamel Fruit Co. stock should be considered more in the nature of a speculation than an investment in our opinion. As a speculation, however, it is not without possibilities for enhancement in value. The stock was recently offered at 53.50 to the public. Capitalization consists of $3,325,000 1st mortgage bonds and 250,000 shares of stock of no par value. The company's banana business has increased from 275,000 bunches in 1912 to 5 millions in 1922 and estimate for 1923 is 6 millions. Net profits for 11 months ended Nov. 30, 1922, were $1,501,802 compared with $1,367,244 in 1921. Book value of stock is $54.50.

Income Tax Department

Conducted By M. L. SEIDMAN, C. P. A.

THE close of the calendar year means for most business organizations the taking of inventory to determine profit or loss. The discussion of inventories under the Income Tax Law should therefore be particularly timely and hence will be the topic for this article.

It is apparent that in businesses involving the purchase and sale of merchandise, inventory must be taken in order that profit or loss can be determined. How an inventory shall be taken under the tax law has been a question continually bothering business executives.

An Inventory Ruling

At the end of 1920, because of the peculiar conditions then existing, the Income Tax Department ruled that no matter how inventories were previously taken, they could be valued at cost, or cost or market, whichever is lower, for the close of 1920; and that the basis then adopted must thereafter be consistently employed.

The Revenue Act of 1921, however, under which income taxes for the year 1922 are to be filed, does not lay down any specific method of valuing inventory. All it requires, is that the inventory conform to the best practice in the trade, and truly reflect the income. It is apparent, therefore, that the taxpayer is not tied down by any general or arbitrary rules with respect to the valuation of inventory but can adopt any proper basis.

The basis of inventory valuation most commonly used is that of cost, or cost or market, whichever is lower. If the latter is employed, it must be applied to each item. In other words, if 10,000 units were purchased at 5c. each, or $500, and 10,000 other units were purchased at 6c. each, or $600, and the entire 20,000 were on hand at the close of the year, each purchase would have to be compared with the market value then existing. If, therefore, the market value of the units at the inventory date was 5½c. each, 10,000 units must be included in the inventory at 5c. and 10,000 at 5½c.

In arriving at "cost," where the inventory items can be identified as coming from specific purchases, the cost price of those purchases should be used. Where, however, as is more common, the same merchandise has been purchased at different prices throughout the year, and the inventory on hand at the end of the year cannot be identified to specific purchases, it should be valued at the latest purchase price. In the event, however, that the amount on hand is greater than the amount purchased at the last price, the balance should be valued at the next to the last purchase price and so on.

Thus, if in taking inventory it was found that there were 100,000 units of a certain article on hand and that the last three invoices for that article were September 1st, 50,000 at $1.50, October 1st, 20,000 at $1.20, and December 1st, 50,000 at $1.50, the inventory figure would be arrived at by taking the cost of the entire last two purchases, which would absorb 70,000 of the units and 30,000 would be valued at $1.00, the price of the September 1st lot.

THIS is the fifth of a series of articles on the income tax requirements which will appear in this publication regularly. Mr. Seidman is a well-known tax expert and has written numerous articles on taxation. Mr. Seidman will answer any question on the subject directed to him by our readers. Such questions should be addressed to this paper, in care of the Tax Editor. To receive attention, all communications should be signed by the writer and submitted not later than March 1. The Department will conclude with the final installment in the March 3 issue.

By "market" is meant the bid price as may be available at the date or dates nearest the inventory.

The question of cash discounts always raises an interesting point. The regulations permit two methods of treating cash discounts. The first is the one popularly employed, namely, that of deducting the discounts from the purchases and accordingly reducing the cost of the goods sold. Where this method is used, the invoices would be entered at the net price after allowing for the cash discount. It would be this price, therefore, at which the inventory would be taken.

The second method is, to ignore the cash discount insofar as its effect upon either the purchase price or inventory value is concerned. Under this method, the cost of the goods is reflected at the invoice price and is, therefore, included in the inventory at that price.

The Department has regulated, however, that certain methods of valuing inventory will not be accepted and those include:

1. Taking from the inventory a reserve for price changes or an estimated depreciation in the value thereof.
2. Taking work in process or other parts of the inventory at nominal prices or at less than its proper value.
3. Omitting portions of the stock on hand.
4. Using a nominal value for so called normal quantity of materials or goods in stock.
5. Including stock in transit either shipped to or from the taxpayer, title to which is not vested in the taxpayer.

As the inventory automatically determines profit or loss, it is obvious that taxpayers must be extremely careful about its valuation.

So many questions have been submitted with respect to the advisability of a joint return being filed by a husband and wife, that this article will be devoted for the discussion of the subject.

There are many cases where a man will have an income from salaries, investments, or from a business, while his wife, too, will have income on her own account. Very often the wife enjoys income from trust funds set aside for her benefit or from bequests made to her. She may have investments of her own, or receive a salary, etc. As the income tax law permits husband and wife to file either one joint return, or separate returns for each, it is apparent that taxpayers should know which is the more advisable.

Filing a Joint Return

A joint return means the filing of one return for incomes of more than one person. In computing the tax on a joint return, the basis used is the same as if the income belonged to but one person. So, too, with exemptions and credits. Only one exemption can be taken in a joint return, namely, $2,500 if the joint net income is not in excess of $5,000, and $2,000 if the joint net income is more than $5,000.

Further evidence that the law looks upon the joint return as that of one individual is furnished by the fact that unless the combined net income is $2,000 or more, or the combined gross income is $5,000 or more, a return need not be filed at all by either spouse. This applies even to the net income of the one, if considered independently, would be sufficient to require a return being filed. Thus, where the net income of the husband is $2,500 and the net loss sustained by the wife is

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TRADE TENDENCIES

Price Advances Broadening Out

Higher Prices and Increasing Sales Presage Good Year—Export Trade Unexpectedly Strong

STEEL

Prices Advancing

THE action of the leading steel interest in advancing prices on pipes and certain other lines is taken by the trade to indicate that the recent price advances all along the line are justified by trade conditions, as the Corporation is notoriously slow in advancing prices unless it is sure of maintaining them for some time. Independents in the meantime have been announcing new increases almost every day in semi-finished lines, and such products as sheets, plates, hoops, etc., are becoming difficult to obtain even at advancing quotations.

At the other end of the industry, however, coke output is moving up steadily while prices are weakening, and as ore remains low profit margins for steelmakers are widening. Pig iron is showing signs of weakness under the pressure of the huge output of coke, and there have been few actual transactions in this commodity for the past few days, buyers preferring to stay out of the market in the hope of obtaining somewhat lower prices when the reductions in coke are announced.

There is considerable difficulty in marketing foreign iron which has recently been sold to this country, as prices apparently were fixed in anticipation of a further price advance in domestic iron above current levels. This advance has not yet materialized, and in view of the coke and ore situation probably will not.

While the logical development would be for steel to follow coke and iron in the expected price softening, it is believed that the actual trade demand for steel products and half-products will be sufficient to keep prices at around their present levels for the near future, while further advances are expected in many branches of the industry to bring them into line with others which have already moved up.

Trade activity continues heavy in the oil business, as well as in the automotive and equipment fields, and orders from this source have been keeping the books of steel plants filled for several months ahead. There is even a tendency to contract for deliveries well into the second quarter, but this is being resisted by the steel mills, who are in no hurry about deliveries. The Corporation, for instance, while maintaining relatively low-card prices for plates, shapes and bars announces that they are for delivery in "four to six months." Under the circumstances, the tendency is for buyers to fill their spot requirements from jobbers, whose stocks are ample for the time being.

(See Footnote for Grades Used and Unit of Measure)

COMMODITIES

	1922 High	1922 Low	1923 Last*
Steel (1)	$40.00	$28.00	$39.25
Pig Iron (2)	34.00	17.75	26.00
Copper (3)	0.14¾	0.12⅝	0.15 1/16
Petroleum (4)	3.50	3.00	3.77½
Coal (5)	5.75	1.75	3.12½
Cotton (6)	0.26¾	0.17	0.28⅜
Wheat (7)	1.46	1.01¼	1.20½
Corn (8)	0.78¾	0.47	0.72⅜
Hogs (9)	0.10⅝	0.08	0.08⅝
Steers (10)	0.10½	0.08½	0.10⅝
Coffee (11)	0.11¼	0.09¼	0.12¾
Rubber (12)	0.27	0.13¾	0.34¾
Wool (13)	0.57	0.45	0.56
Tobacco (14)	0.20	0.18	0.18.
Sugar (15)	0.05¾	0.03½	0.05½
Sugar (16)	0.07⅛	0.04¾	0.06⅞
Paper (17)	0.04	0.03½	0.04⅛

* Feb. 7.

(1) Open Hearth billets, $ per ton; (2) Basic Valley, $ per ton; (3) Electrolytic, c. per pound; (4) Pennsylvania, $ per barrel; (5) Pool No. 11, $ per ton; (6) Spot, New York, c. per pound; (7) No. 2 Red, Chicago, $ per bushel; (8) No. 3 Yellow, Chicago, $ per bushel; (9) Light, Chicago, $ per pound; (10) Top, Heavies, Chicago, c. per lb.; (11) Rio, No. 7, Spot, c. per lb.; (12) First Latex crepe, c. per lb.; (13) Ohio, Delaine, unwashed, c. per lb.; (14) Medium Burleigh, Kentucky, — per lb.; (15) Raw Cubas 96° Full Duty, c. per lb.; (16) Refined, c. per lb.; (17) Newsprint per carload roll, c. per lb.

OIL

Strengthening Position

Recent advances in gasoline prices over a considerable Eastern territory emphasize the strong statistical position of the industry, in spite of the huge accumulations of refined products in the hands of refiners and dealers. In view of the strong consumptive demand, business continues active at the higher price level, though there is no anxiety to rush stocks to market.

THE TREND

STEEL — Corporation increasing prices. Profit margins widening as coke and ore stay low. Heavy oil, equipment and automobile business.

OIL—Prices continue advance, in both crude and refined. Export demand shows steady growth. Kerosene a weak spot.

METALS—Copper at new high for movement. Export demand revives, with Germany eliminated.

SUGAR—Advance in raw and refined progressing. Europe's purchases apparently sustaining market.

TEXTILES — Cotton resumes upward march, after technical readjustment. Cotton goods trade broadening out.

RUBBER—Plans for stabilization at 35-cent level. Tire outlook promising. Market dull pending developments.

SUMMARY—Price advances have indicated fundamental strength in most commodities, while volume of sales has been increasing. If present conditions continue, profits should be much higher in 1923 than last year. Export trade in certain lines shows more resistance to unfavorable European developments than expected.

Crudes of most varieties are being advanced at short intervals, without any apparent recession in demand. Production remains close to record high levels, with small fluctuations in either direction, Western fields being particularly active in increasing their output.

Kerosene is about the only weak spot in the situation, suffering from a damming-up of the usual export outlets because of the unfavorable European situation. Price cuts have been announced in some districts, and may be expected to extend further. This is all the more remarkable as other refined products, notably gasoline and lubricating oils, are moving in good volume to Europe. There is even considerable expectation of an advance soon to be announced in export prices in these lines. France particularly is buying fairly large quantities.

Bunker and fuel oils are holding up well, some large transactions having been effected recently, and a price advance would not be surprising. Gas oil is steady.

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New York Stock Exchange

	Pre-War Period 1909-13		War Period 1914-18		Post-War Period 1919-1922		1923		Last Sale	Div'd $ per
RAILS:	High	Low	High	Low	High	Low	High	Low	Feb. 7	Share
Atchison	125⅜	90¼	111¼	75	108½	91¼	102⅜	100	101⅞	6
Do. Pfd.	106¼	96	102⅜	75	95½	72	90¼	88¼	90	5
Atlantic Coast Line	148½	102½	126	79⅜	124⅞	77	119⅝	110¼	119⅝	7
Baltimore & Ohio	122¼	90⅝	96	88⅛	60¼	27⅝	52⅞	40⅛	51½	..
Do. Pfd.	96	77⅛	80	48¼	66¼	38½	60¼	57¾	60	4
Canadian Pacific	283	165	220⅛	126	170⅞	101	147⅜	140¼	147⅜	10
Chesapeake & Ohio	92	51⅛	71	35⅜	79	46	76⅜	69	75	4
Ches. & Ohio Pfd.	..	..	..	..	105⅝	100⅜	102¾	101⅞	‡102¼	6½
C. M. & St. Paul	165⅛	96⅜	107⅛	35	52¾	16½	25	20⅝	24¼	..
Do. Pfd.	181	130½	143	62⅛	76	29	41¾	32½	40½	..
Chicago & Northwestern	198½	123	136⅞	85	105	50	85⅜	77	84⅛	5
Chicago, R. I. & Pacific	..	..	45⅜	16	50	22⅝	36⅞	31½	36¼	..
Do. 7% Pfd.	..	..	94¾	44	105	64	94	89¼	‡94¼	7
Do. 6% Pfd.	..	..	80	35⅜	93¾	54	84	81⅞	83¼	6
Delaware & Hudson	200	147½	159½	87	141½	83¼	120	103	119	9
Delaware, Lack. & W.	340	192½	242	160	260½	93	129½	122¼	‡128¼	8½
Erie	61¼	33½	59½	18¾	21⅜	7	13¼	10½	13	..
Do. 1st Pfd.	49¾	26¼	54¾	15⅛	33	11⅛	20⅜	15	19¾	..
Do. 2nd Pfd.	39⅛	19½	45⅝	13⅛	23¾	7⅛	14⅞	11⅛	14½	..
Great Northern Pfd.	157⅞	115½	134¾	79¼	100⅝	60	77¼	71	76¼	5
Illinois Central	162⅛	102¼	115	85⅜	115¾	80⅞	113½	110	113½	7
Kansas City Southern	50¼	21⅜	35¼	13½	28⅞	13	23⅝	18½	22¼	..
Do. Pfd.	75½	56	65½	40	59½	40	55	52⅞	‡54	4
Lehigh Valley	121¼	62½	87⅛	50⅜	72	39⅜	71⅛	66½	69¼	3½
Louisville & Nashville	170	121	141⅞	103	144⅞	94	140	130	140	7
Mo., Kansas & Texas	51⅛	17½	24	3⅛	*19⅜	*¾	16½	13½	16	..
Do. Pfd.	78¼	46	60	6½	*48¾	*2	43	37	42¼	..
Mo. Pacific	*77½	*21½	38½	19⅞	38⅞	11½	19	15½	18⅜	..
Do. Pfd.	..	..	64⅞	37½	63¾	33⅛	47¾	41⅝	47½	..
N. Y. Central	147¾	90⅜	114¼	62½	101⅛	64⅛	96⅛	93	95½	5
N. Y., Chicago & St. Louis	109¾	90	90¾	55	91½	23¾	84	78	82	5
N. Y., N. H. & Hartford	174¾	65⅝	89	21½	40⅞	12	22½	16½	22⅛	..
N. Y., Ont. & W.	55⅝	25⅛	35	17	30½	16	21½	19⅛	21½	2
Norfolk & Western	119⅜	84¼	147⅛	92⅝	125⅛	84¼	115½	109¾	‡114¼	7
Northern Pacific	159½	101¾	118⅞	75	99⅞	61¼	78⅛	72	77⅞	5
Pennsylvania	75⅝	53	61½	40¼	49¾	32¼	47⅛	46	46½	3
Pere Marquette	*36½	*15	38⅛	9½	40⅝	12⅛	40⅞	36	40⅛	..
Pitts. & W. Va.	..	..	40⅜	17¾	94	21⅛	39⅞	33⅞	38¼	..
Reading	89⅜	59	115½	60⅛	108	60¾	81⅛	76⅜	80	4
Do. 1st Pfd.	46¾	41¼	46	34	61	32⅞	56½	52	56	2
Do. 2nd Pfd.	58¼	42	52	33¾	65½	33¼	56¾	51⅞	55½	2
St. Louis-San Francisco	*74	*13	50½	21	38⅞	10¼	25¾	21	24⅞	..
St. Louis Southwestern	40⅜	18½	32⅛	11	40	10⅞	46⅞	37	46⅛	..
Southern Pacific	139⅛	83	110	75¾	118⅜	67½	94⅛	87	93	6
Southern Ry	34	18	36⅜	12½	33¼	17⅛	32	24⅜	31⅛	..
Do. Pfd.	86⅞	43	85¼	42	72½	42	69	64¾	69¼	5
Texas Pacific	40½	10⅛	29½	6½	70½	14	24¾	10¾	23	..
Union Pacific	219	137⅜	164⅜	101¼	154¾	110	141	135⅜	141	10
Do. Pfd.	118½	79¾	86	69	80	61¼	76¼	74⅜	75⅜	4
Wabash	*27⅞	*2	17½	7	14⅜	6	10⅛	8¼	10⅛	..
Do. Pfd. A	*61¼	*6⅛	60½	30⅞	38	17	29¾	23⅛	29⅛	..
Do. Pfd. B	..	..	32⅞	18	25½	12⅛	20	16½	20	..
Western Maryland	*56	*40	23	9¼	17¼	8⅛	12½	10⅝	12⅜	..
Western Pacific	..	..	25½	11	40	13⅜	20	16	19	..
Do. Pfd.	..	..	64	35	78	51½	60⅛	56½	60	6
Wheeling & Lake Erie	*12⅞	*2½	27⅜	8	18¼	6	9¼	8¼	9¼	..
INDUSTRIALS:										
Adams Express	270	90	154½	42	84	22	73½	68	71½	4
Allied Chem	..	..	..	..	91¾	34	80	71½	77	4
Do. Pfd.	..	..	..	..	115½	83	111⅞	109	‡109½	7
Allis Chalmers	10	7⅜	49¼	6	59¾	26½	50	45	49⅞	4
Do. Pfd.	43	40	92	32½	104	67½	97	94⅜	96½	7
Am. Agr. Chem.	63⅜	33½	106	47¼	113¾	26⅛	32¾	29½	31¼	..
Do. Pfd.	105	90	103½	89⅜	103	51	62	58¾	62	..
Am. Beet Sugar	77	19¾	108½	19	103¾	24½	40⅞	36	40¾	..
Am. Bosch Mag	..	..	..	..	143⅞	29¼	42¾	37	40¼	..
Am. Can	47⅜	6⅞	68½	19¼	76½	21¾	90	73½	88⅜	5
Do. Pfd.	129¼	98	114½	80	113⅞	72	113	111¼	112¼	7
Am. Car & Fdy.	76½	36½	98	40	201	84⅛	186	178	184½	12
Do. Pfd.	124⅜	107½	119½	100	126⅛	105¾	125⅞	123	125¼	7
Am. Cotton Oil	79¼	33½	64	21	67½	14¾	20¼	15	17⅜	..
Do. Pfd.	107½	91	102¼	78	93	33½	38¾	25¾	33	..
Amer. Express	300	94⅜	140½	77½	175	76	142	133	140	8
Am. Hide & L.	10	3	22⅛	2½	43⅛	5	12⅞	11	12⅞	..
Do. Pfd.	51⅞	15⅛	94⅞	10	142⅛	35	70	66½	69¼	..
Am. Ice	..	..	49	8⅞	122	37	107	98½	106	7
Am. International	..	..	62¾	12	132¼	21⅛	28⅛	24⅜	27⅝	..
Am Linseed	20	6⅜	47¼	20	95	17¼	33	29⅛	31¼	..
Am. Loco.	74¾	19	98¼	46⅜	136⅜	58	129⅞	120⅛	123	6
Do. Pfd.	122	75	109	93	122¼	96½	122	119½	122	7
Am Safety Razor	..	..	..	..	22	3½	9	6⅞	8½	.25
Am. Ship & Com.	..	..	..	..	47½	4¾	21⅜	18⅛	19⅝	..
Am. Smelt. & Ref.	105⅛	56⅜	123¾	50¼	89¾	29¼	62⅝	58	61¼	..
Do. Pfd.	116¼	98¼	118⅛	87	109⅝	63¼	101	98⅜	100⅛	7
Am. Steel Fdys.	74½	24¼	95	44	50	18	38⅝	35½	38⅛	3
Do. Pfd.	..	..	..	..	107	78	104	102	‡104½	7
Am. Sugar	136⅜	99⅞	126⅜	89⅛	148⅜	47⅝	80¼	76	80	..
Do. Pfd.	133½	110	123½	106	119	67½	106½	102¾	‡106½	7
Am. Sumatra Tob.	..	..	145¾	15	120½	23⅛	29	24¼	28	..
Do. Pfd.	..	..	103	75	105	52⅛	56½	55⅜	‡56⅝	..
Am. Tel. & Tel.	153⅜	101	134½	90⅜	128¼	92⅛	124	121¼	122⅜	9
Am. Tobacco	*530	200	256	123	314½	104⅛	156½	150	156	12
Do. B	..	..	..	..	210	100⅛	154	148	104	12
Am. Woolen	40⅜	15	60⅞	12	169½	55½	99½	94	98½	7
Do. Pfd.	107⅜	74	102	72½	111¼	88½	111¾	109⅞	110¾	7
Anaconda	54⅜	27½	105⅜	24¼	77⅞	30	59⅞	45⅛	48¼	..
Associated Dry Goods	..	..	28	10	68¾	48	71	62¼	69¼	4
do 1st Pfd.	..	..	75	50½	86	49⅞	87	83	87	6
do 2nd Pfd.	..	..	49½	35	91½	38	91	88⅛	91	7
At. Gulf & W. I.	13	5	147⅜	4½	192⅝	18	22⅝	18⅛	22⅛	..
Do. Pfd.	32	10	74¾	9⅞	76½	15¾	17	14⅞	‡15	..
Baldwin Loco.	60⅜	36½	154½	26⅜	156¼	62¼	140⅛	129¼	136½	7
Do. Pfd.	107½	100¼	114	90	118	92	116¾	113	‡114	7
Bethle. Steel B.	*51⅜	*18¾	155½	59¾	112	41½	63¾	59½	62¼	5
Do. 7% Pfd.	80	47	186	68	108	87	97	93	97	7
Do. 8% Pfd.	..	..	110½	92½	116⅜	90	111	107⅜	111	8
Burns Bros. A	45	41	161⅜	80	147	76	144½	139	139¼	10
Do. B	..	..	..	..	58	27	43	39	40	2
Calif. Packing	..	..	80	80	87½	48¼	83⅜	79¼	88	6

Price Range of Active Stocks

	Pre-War Period 1909-13 High	Low	War Period 1914-18 High	Low	Post-War Period 1919-1922 High	Low	1923 High	Low	Last Sale Feb. 7	Div'd $ per Share
INDUSTRIALS—Continued:										
Calif. Petro.	72½	16	42⅝	8	71⅞	15⅜	83½	66¼	80⅛	7
Calif. Petro. Pfd	95½	45	81	29½	98½	63..	98⅜	94⅜	98¼	7
Central Leather	51⅛	16½	123	25⅞	116½	22⅛	38	32¼	35⅛	..
Do. Pfd.	111	80	117½	94⅞	114	57⅜	73	67⅜	72⅛	..
Cerro de Pasco	..	..	55	25	67½	23	45¾	42½	44½	..
Chandler Mot.	..	..	109⅜	56	141¼	38¼	71	61⅞	70⅝	6
Chile Copper	..	..	29¼	11¼	29¼	7⅛	30½	27⅛	20⅞	..
Chino Copper	50⅜	6	74	31⅛	50⅞	16⅜	27⅞	24⅜	26	..
Coca Cola	..	..	..	..	82⅜	18	81	73½	75⅛	6
Colum. Gas & E.	..	..	54⅛	14⅛	114⅞	39⅛	112⅛	103⅞	110½	6
Columbia Graph	..	..	*166	*97	75¼	1⅛	2⅛	2⅛	2¼	..
Consol. Cigar	..	..	..	..	80	13½	39⅛	33	37	..
Con. Gas	*105¼	*114½	*150½	*112½	*145⅜	*71¼	69⅜	60	69¼	5
Corn Prod	26½	7⅜	50½	7	134⅜	46	130½	123½	136¼	6
Do. Pfd.	95½	61	113½	58⅜	122⅜	96	121½	118⅜	121	7
Crucible Steel	19⅜	6½	103⅞	12¼	278½	49	77⅜	67½	75¾	..
Cuba Cane Sugar	..	..	76⅜	24⅞	59⅜	5⅜	15⅜	12⅝	15⅝	..
Cuban Amer. Sugar	*58	*33	*273	*38	*605	10⅞	28⅜	23½	28½	..
Endicott-Johnson	..	..	..	..	150	44	94¼	87¼	91	5
Do. Pfd.	..	..	..	..	119	84	118	114	112	7
Famous Players	..	..	..	..	123	40	93	82¾	88½	8
Do. Pfd	..	..	..	..	107⅜	66	99⅜	94⅞	97	8
Freeport Tex.	..	..	70½	25¾	64⅜	9½	22	18⅞	20½	..
Gen'l Asphalt	42⅞	15½	89⅛	14¼	160	32½	49⅞	41½	44⅞	..
Gen'l Electric	188½	129¾	187¼	118	190	109½	190⅛	179	188⅞	8
Gen'l Motors	*51¾	*25	*850	*74½	42	8⅛	15⅛	13¼	13⅞	.50
Do. 6% Pfd	..	..	90½	72⅛	95	63	85	83¾	†83½	6
Do. 6% Deb	..	..	..	..	94⅝	60	85	83⅜	84	6
Do. 7% Deb	..	..	..	..	100	69	100	96⅜	99	7
Goodrich	86½	15½	80¼	19⅜	93⅜	26⅜	39⅜	34	37¼	..
Do. Pfd.	109¾	73⅜	116⅜	79⅞	100½	62½	92	84	89½	7
Gt. Nor. Ore	88½	25½	50⅜	22½	52⅜	24⅞	32	30	31⅛	2
Houston Oil	25½	8¼	86	10	116½	40½	77⅜	69¼	74½	..
Hudson Motors	..	..	..	..	26⅛	19½	29½	25¼	29⅛	2
Hupp Motors	..	..	11⅜	2½	26⅛	4⅝	26⅞	22¼	26⅛	1
Inspiration	21⅜	13⅞	74⅛	14¼	66⅞	28	36¼	33	35¼	..
Inter. Mer. Marine	9	2⅛	50⅞	⅜	67¼	7⅛	10⅞	8½	10⅛	..
Do. Pfd.	27⅜	12½	125⅜	8	128½	36	47	37½	42½	3
Inter. Nickel	*227¼	*135	57½	24½	33⅜	11⅛	16	14	15	..
Inter. Paper	19⅜	6½	75½	9½	91⅛	30¼	55⅜	49½	52⅝	..
Invincible Oil	..	..	..	..	47¼	5½	17¼	14¼	17	..
Kelly Springfield	..	..	85⅛	30⅞	164	25½	51⅞	46½	51	..
Do. 8% Pfd	..	..	101	72	110¼	70⅛	108	102¼	†104	8
Kennecott	..	..	64¼	25	43	14⅝	38½	35	38½	3
Keystone Tire	..	..	46½	11	126⅜	4⅛	10⅛	8⅜	9¼	..
Lackawanna Steel	55½	28	107	26½	107⅜	32	...	...	...	..
Lima Locomotive	..	..	..	..	65⅛	52	64	58⅜	64⅛	4
Loews, Inc.	..	..	..	..	38⅜	10	19⅞	18¼	19	..
Loft, Inc.	..	..	..	..	28	7⅛	11¾	10⅛	10¾	1
Mexican Pet.	90½	41⅛	129⅜	46½	322	84½	293	290	†240	16
Miami Copper	30¼	12⅜	49⅛	16½	32⅜	14⅛	28	26¼	27½	2
Middle States Oil	..	..	..	..	71⅜	10	12¼	11	11½	1.20
Midvale Steel	..	..	98½	69½	62¼	22	29½	27	28⅛	..
Nat'l Lead	91	42½	74⅜	44	129¼	63½	132¼	123½	129⅛	8
N. Y. Air Brake	98	45	136	55⅞	145⅜	45½	50⅞	46	50	4
N. Y. Dock	40¼	8	27	9¼	70⅜	16¼	22⅜	21⅛	†21½	..
North American	*87⅞	*60	*81	*38⅞	100⅜	32¼	109⅜	100½	109	5
Do. Pfd.	..	..	..	..	47¼	31⅞	46½	44½	46½	3
Pacific Oil	..	..	..	..	69⅜	27½	48⅞	42⅛	44⅛	3
Pan. Amer. Pet.	..	..	70¼	35	140¼	38⅛	93½	84	92¼	6
Do. B	..	..	..	..	111¾	34⅛	86	77⅜	85¼	6
Philadelphia Co	59¼	37	48⅞	21½	48	26½	44¼	41¼	43½	3
Phillips Pet	..	..	..	..	59¼	16	56⅞	47½	55⅛	2
Pierce Arrow	..	..	65	25	99	9⅛	15¼	11⅛	12½	..
Do. Pfd	..	..	100	88	111	18⅞	36⅜	27¾	30	..
Pittsburgh Coal	*29⅜	*10	58¾	37½	74⅜	45	63	58	63	4
Pressed Steel Car	56	18½	88¾	17¼	113¾	48	81½	58	†65	..
Do. Pfd.	115	88½	109⅛	69	106	83	90¾	86	†92¼	7
Punta Aleg. Sug	..	..	81	29	120	24⅜	50⅝	43	50⅛	..
Pure Oil	..	..	143⅞	31⅞	61⅞	21½	29⅞	27¼	29	2
Ry. Steel Spg	54½	22¼	78½	19	126¾	67	119½	110	114½	8
Do. Pfd.	113⅛	90¼	105½	75	120	92½	117½	115½	117¼	7
Ray Cons. Cop	27½	7½	37	15	27½	10	15	13⅛	14½	..
Replogle Steel	..	..	..	..	93½	18	29	23¼	26⅛	..
Republic I. & S.	49½	15¾	96	18	145	41⅛	52⅜	47	51⅛	..
Do. Pfd.	111⅛	64½	112⅝	72	106⅜	74	92⅜	89	91½	7
Royal Dutch N. Y.	..	..	86	56	123⅜	40½	53⅛	42½	49½	2.62
Shell T. & T.	..	..	..	..	90¼	30⅞	38⅜	34⅛	36½	.92½
Sinclair Con. Oil	..	..	67⅛	25¼	64¼	16½	35⅞	31⅞	34	2
Stand. Oil N. J.	*446	*322	*809	*355	*212	38⅜	43¼	39¼	41⅛	..
Do. Pfd.	..	..	..	..	120	100⅛	117⅞	116⅜	117	7
Stromberg Carb	..	..	45¾	21	118¼	22⅛	69⅜	62¼	68⅞	4
Studebaker	49½	15¾	195	20	151	37¾	122¼	112	120¾	10
Do. Pfd.	98⅛	64½	119½	70	118¼	76	113	112	†113	7
Tenn. Cop. & Chem	..	..	21	11	17¼	6¼	12½	10⅜	11⅞	..
Texas Co.	144	74½	248	112	57¾	29	49	47⅜	48⅝	3
Tex. Pac. C. & O.	..	..	..	..	195	15⅜	24¼	20	23½	1
Tobacco Prod.	145	100	82⅜	28	115	45	58⅛	50⅛	54⅝	..
Transcontl. Oil	..	..	..	..	62⅜	5⅜	14½	10⅞	11⅝	..
United Fruit	208½	126½	173	105	224⅞	95¾	164¼	152½	164	10
Un. Retail Stores	..	..	..	..	119¼	43½	78¾	64⅜	73	2
U. S. Ind. Alco	57⅛	24	171½	15	167	35⅛	68⅞	62⅝	67¼	..
U. S. Rubber	59½	27	80½	44	143½	40½	62	55	60½	..
Do. Pfd.	123½	98	115¾	91	119½	74	105	99	101¾	8
U. S. Smelt. & R.	59	30¾	81½	20	78⅛	26	40⅛	35	37¼	..
U. S. Steel	94⅞	41¼	136⅝	38	115½	70¼	108¾	104	106¾	5
Do. Pfd.	131	102½	123	102	117½	104	123½	119	120⅜	7
Utah Copper	67½	88	130	48½	97½	41⅛	66½	62½	66¼	2
Vanadium	..	..	..	..	97	25⅛	39⅛	33⅞	37¾	..
Va.-Caro. Ch.	70⅜	22	60¼	15	92½	20⅜	25¼	21	23	..
Do. Pfd.	129½	62	115⅜	80	115⅞	57⅛	64	61	63½	..
Western Union	86¼	56	105½	53⅛	121⅜	76	113⅜	109	113	7
Westinghouse Mfg	45	24⅜	74⅞	32	59⅞	38⅞	63⅜	58⅜	†62½	4
White Motors	..	..	60	30	86	29¼	58⅛	45⅜	52½	4
Willys Overland	*75	*50	*325	15	40⅛	4½	8½	6⅞	7⅞	..
Wilson Co.	..	..	84¼	42	104⅞	27⅛	42¼	36	40	..
Woolworth	177⅜	76⅜	151	81½	223	100	224¼	199⅜	212	8

* Old stock. † Bid price given where no sales made.

ANSWERS TO INQUIRIES

(Continued from page 729)

outlook for the equipment business we consider that the common stock has possibilities for enhancement in value and we do not advise disposing of it at this time.

RAY HERCULES
Recently Reorganized

Now that Ray Hercules has been reorganized and its floating debt paid do you believe that the company will be able to make money? I entered the reorganization, subscribing to the new stock at $1. It is now around 1⅜ and I would like your advice as to whether I had best stay with the company or sell out.—E. L. M., Chicago, Ill.

It is our opinion that only low-cost copper producers are attractive under present conditions. South American copper properties are now turning out a very large tonnage at very low cost and we feel that this is going to operate against any important upward move in the metal. Ray Hercules in our opinion has little chance of being a low-cost producer. The company ran into debt with copper prices at much higher levels than they are at the present time. The company's highest grade ore reserves only run 2.5% copper but this block underlies Mineral Creek and various surface improvements and has not been exploited. The main body of ore consists of 6 million tons of 1.45% copper, and we consider it very doubtful that the company can operate at a satisfactory profit with the present labor costs and price of the metal. Capitalization consists of $1,000,000 bonds and 650,000 shares of stock. We favor disposing of it.

FIFTH AVENUE BUS
Political Situation Unfavorable

Can you give me some information in regard to Fifth Avenue Bus stock traded in on the New York Stock Exchange? Also your opinion of the outlook.—H. F. R., Brooklyn, N. Y.

Fifth Ave. Bus Securities Corp. owns 103,574 shares of the stock of the New York Transportation Co. out of 235,000 outstanding. The New York Transportation Co. owns the entire outstanding capital stock of the Fifth Ave. Coach Co. which is the operating company. The Coach Co. owns and operates 287 busses and during the year ended June 30, 1922, carried nearly fifty-three million passengers. The Fifth Ave. Bus Securities Corp. capitalization consists of 321,000 shares of stock without par value. For the six months ended June 30, 1922, the New York Transportation Co., subsidiary, reported a net income of $650,000. This is at the annual rate of about $5.60 a share on the New York Transportation Co. stock and is equal to about $1.75 per share on the stock of the Fifth Ave. Bus Securities Corp. On a stock selling around 8 this is a good earning power, but the political situation should be taken into consideration. Since the Governor advocates allowing municipalities to run their own public utility affairs and the Mayor of the City is endeavoring to increase the operation of municipally owned busses, this may interfere with the business of the company in the future and the stock must be regarded as a decided speculation.

ADIRONDACK POWER & LIGHT
Advise Profit-Taking

Several months ago I purchased 500 shares of Adirondack Power & Light stock which at present shows me a profit of about three points. Do you advise taking profits at this time or holding for a further advance?—W. A. K., Syracuse, N. Y.

Adirondack Power & Light has shown a substantial increase in earnings. For the 12 months ended October 31st, 1922, balance after fixed charges was $716,825, an increase of $333,802 over the same period the previous year. After deducting preferred dividend requirements of about $340,000 the balance was equal to approximately $2 a share on the $9,162,000 common stock of $50 par value outstanding. It is true that the company has possibilities of increasing its business, but there is the political situation to consider as an unfavorable factor. There is a possibility of regulation and public ownership of the water-power developments that may react unfavorably on this company. Of course, this no one can absolutely foresee but under the circumstances, and in view of the present earning power of the company, our advice is to take profits at this level.

LACLEDE GAS LIGHT 5½s
A Conservative Investment

I will appreciate having your opinion of the Laclede Gas Light 5½% recently advertised.—D. H. K. Macomb, Ill.

Laclede Gas Light Co. $17,500,000 1st mortgage collateral 5½s, Series C, are secured by a direct mortgage lien on all the physical property of the company and, in addition, through the pledge of 10 million prior lien bonds, share equally in the lien of the closed 1st mortgage of the company. The Laclede Gas Light does the entire gas business in the city of St. Louis, Mo. The company operates under a special charter which, in the opinion of counsel, is perpetual and the validity of which has been established by the Supreme Court of the state. We regard the bonds as a conservative investment and attractive at the offered price of 96.45 to yield 5.75%.

PACIFIC OIL
Present Dividend Rate Insecure

Among my holdings are 50 shares of Pacific Oil obtained through subscription rights offered to Southern Pacific stockholders. The stock has been falling of late and I would like to have your opinion as to whether I had better sell it.—B. M. K., Canton, N. Y.

Pacific Oil in 1921 earned $4.64 per

are on its stock and for the nine months ended September 30th, 1922, earned $2.63 per share. This is not a very large margin over the dividend rate of $3 per share and in view of the fact that there has been a big reduction in the price of Coast crude it is not likely that at the present time earnings of the company are sufficient to cover $3 dividend rate. This company has good management and also holds very valuable properties in California which are likely sometime in the future to increase the earning power of the company. Therefore, we do not regard the long-pull possibilities of the stock as unattractive but we do feel that the present dividend rate is insecure and that the stock will probably sell at lower levels. We advise its sale.

HAS $7,000 TO INVEST

7% Yield Desired

Please let me have your advice as to the best way to invest $7,000 to return 7% or better. I do not want anything highly speculative.—J. K. P., Pottsville, Pa.

For the investment of $7,000 to yield about 7% we are pleased to offer the following suggestions:

Preferred Stocks	*Price*	*Dividend*
Cosden & Company	105	7%
American Smelting & Refining	100	7%
Brown Shoe	99	7%
Julius Kayser	103	8%

Bonds	*Price*
Sinclair Consolidated 1st lien and collateral 7s, 1937	100
South Porto Rico Sugar 1st Mortgage 7s, 1941	100
Virginia Carolina Chemical, sinking fund 7s, Series A, 1947	97½

UNION TANK CAR

A Switch Suggested

I hold a few shares of Union Tank Car and would like to know what the dividend rate is on the stock now that the stock dividend has been paid. Do you advise holding or switching to something else? I have a good profit in it.—F. R., Montgomery, Ala.

Union Tank Car has declared a quarterly dividend of $1.25 on the common stock payable March 1st. This is at the annual rate of $5 equivalent to $7.50 on the old common stock which paid $7 before the 50% stock dividend. For the six months ended June 30th, 1922, the company reported earnings of $6.77 a share on the old outstanding stock. We feel that Union Tank Car, while a good investment, is selling high enough and suggest switching into American Woolen paying 7% and selling around 95. American Woolen is in very strong financial condition and reports are that it is earning its dividend with a good margin to spare and the outlook this year is encouraging.

(*Please turn to page 762*)

CURRENT BOND OFFERINGS

Volume of New Issues Falls Off

NEW bond issues were comparatively insignificant, this section of the market having a period of quiet, unequalled for a good many months. This development was to be expected, however, in view of the tremendous outpouring of new issues since the beginning of the year. A period of relative quiet is now needed in order that bonds issued since the first of the year be more fully absorbed than they can be said to be at this time.

No Foreign Issues

The dearth of new foreign issues continues, a situation which need cause no surprise in view of the falling rate of confidence in such issues. With the exception of British, Canadian and certain neutral countries, it is most improbalbe that any degree of financing could be had successfully in this country under present conditions.

No change in rates of yield in municipal or state issues is visible, the average rate being about 4.25-4.50% which has become the usual figure according to records over the past half year.

An interesting and significant feature is the fact that public utilities of good standing can now finance themselves on a 6.00-6.50% basis, indicating the restored credit position of this industry. Even more significant is the fact that an industrial company such as Fisher Body, presumably belonging to a speculative industry, can float its securities on less than a 6% basis. Certainly this is one of the most interesting developments in the new bond market for a very considerable period.

NEW BOND OFFERINGS

STATE AND MUNICIPAL	Amount	Off'd Yield (%)
Fairfax Co., Va.	$510,000	4.50-4.60
City of Hamilton, O.	650,000	4.50-4.40
State of Oregon	5,000,000	4.15-4.30
PUBLIC UTILITY		
Yadkin River Power Co.	$4,000,000	6+
Eastern Wisconsin Elect. Co.	1,917,000	6.65+
Alabama Power Co.	4,700,000	5.75
Southern Indiana Gas & Electric	1,000,000	6.65
INDUSTRIAL		
Fisher Body Corp.	$20,000,000	5.50-6.25
FARM LOAN		
Burlington Jt. Stk. Land Bank	$1,000,000	4.62-5.00
Oregon - Washington Jt. Stk. Land Bank	500,000	4.68

The outlook is that the rate of new bond issues will ebb during the next few weeks. The market gives evidences of being "tired" and under the circumstances few bond dealers are willing to press matters.

So far as the next few months are concerned, however, ample ground exists for believing that industrial and other factors will take advantage of the comparatively low money-rate situation and issue bonds on a large scale.

AN ECHO OF THE STOCK DIVIDEND SPREE

(Continued from page 687)

to think over this question and see where it leads them. Certainly it will not lead them to the conclusion, entertained in some quarters, that the melon-cutting was merely a concerted move on the part of the corporations involved to "sell out" the public. Nor will it encourage the belief, iterated and reiterated by persons qualified to attach highly impressive degrees to their signatures that stock dividends were of no significance to corporations in respect of taxation.

Where the question *does* lead is to the conclusion that the stock-dividend wave was the outcome of an astute taxation policy on the part of the corporations involved. All the hysterical fluff—or exciting suggestion—to the effect that these dividends were really a means of passing the buck to the public pales by comparison with this other solution.

A recent exchange in the Seat of Government has a very important bearing upon this whole case. Senator Smith W. Brookhart (Rep.) junior senator from the State of Iowa recently introduced a resolution calling upon the Secretary of the Treasury to supply the names of those companies, if any, upon whom penalties had been imposed for alleged dodging of surtaxes in 1922 through the declaration of stock dividends. His resolution was based, apparently, upon Section 220 of the Revenue Act of 1921, in effect providing

> "That if any corporation, however created or organized, is formed or availed of for the purpose of preventing the imposition of the surtax upon its stockholders through the medium of permitting its gains and profits to accumulate instead of being divided or distributed, there shall be levied upon the net income of the corporation a tax of 25%, in addition to the other taxes imposed upon corporations, but that the fact that the gains and profits are permitted to accumulate and become surplus shall not be construed as evidence of a purpose to escape the surtax unless the Commissioner of Internal Revenue certifies that in his opinion *such accumulation is unreasonable for the purposes of the business.*"

To the hurried reader, who glances over the foregoing excerpt from the Tax Law of the country, there might seem to be direct extenuation for large surpluses rather than direct control thereof. That is to say, the law's express provision that gains and profits which have been permitted to become surplus shall not be construed as evidence of a purpose to escape the surtax might seem to "let the big-surplus corporation out" so far as liability under the tax law is concerned.

But a careful, thorough reading of the clauses tends toward an exactly opposite conclusion. It is seen that, while surpluses, as such, are no basis for additional taxation, nevertheless surpluses which in the opinion of the Commissioner, *exceed the needs of the business* would expressly lead to additional taxation.

And, again noting that the stock dividend spree ended, apparently, on December 30th, 1922, one sees additional support for the view that that "astute taxation policy" was really the prime motive in the whole movement.

Positions to Revise

Accepting the conclusion arrived at in the foregoing, two parties to the stock-dividend controversy will have to revise their position. One is that group which saw in the distributions a concerted move on the part of the mythological powers to sell out to the public. The other is the group which saw, or claimed to see, in the distributions a canny subterfuge to enable Capital, as represented by the corporations, to dispense largesse to its stockholders without arousing the champions of Labor.

There were not a few persons who joined this first group. There are not a few persons who still stick to their position in the matter—still see in Standard Oil of New Jersey's 400% disbursement, for example, a step toward the withdrawal of "insiders" from their wonted position as holders of the greater part of the corporation's capital stock. While such a surmise might be found to have a considerable foundation in fact in the case of one or two corporations, it seems far-fetched to apply it, generally, to the one hundred and sixty or more corporations which took stock dividend action, and thereby distributed some two hundred millions (par value) of new shares. A more logical and understandable motive seems to have been uncovered in the shape of this tax clause—and one, by the way, which is considerably less startling to investors.

As for the self-styled champions of Labor, who attempted to make the stock-dividend spree the basis for a great furore about the unjustifiable proportion of industry's results that was being distributed among shareholders, their position never did have much foundation. This publication was among the first to remind its readers that one piece of cake contained not a crumb more of nourishment when divided into two pieces and delivered than when delivered intact. Nor is the revised assertion of these champions that the melon-cutting will enable the corporations to distribute more money among their stockholders one whit more reasonable. A corporation with $4,000,000 (or some other sum) available for distribution on its common stock can distribute just as easily on 5,000 shares as on 10,000. The only effect is in the payments per share.

Incidentally, if it be true that the stock dividend spree was, in most cases, for the actual purpose of cutting down the shown surplus of the corporations concerned, and thereby rendering them less liable to attack on the ground of non-essential surplus wealth, who can blame them? The country is full of unscrupulous agitators who can make the enormous surpluses which many of our great corporations hold because their businesses require these surpluses appear to be unjustifiable and unreasonable. So long as Big Business has to guard against such attacks from outside where it should be able to expect co-operation from outside, a move to cut down the shown surpluses came near to being the only logical step to take.

BROWN SHOE CO., INC.

(*Continued from page 710*)

that working capital alone is equal to $157 a share on the preferred, it is in a strong position from an investment viewpoint and at present price of 99, to yield a little over 7%, is an attractive investment.

The common stock has had a rather checkered career as a dividend payer. In 1914, 3% was paid; in 1915, none; in 1916, 1½%; in 1917-18, 6%; in 1919, 6¼; in 1920, 5¼, and none since. In view of the present earning power of the company it would seem that a 6% dividend rate could be maintained on the common stock, although on account of the bank loans of 3½ millions it is possible that directors may take a more conservative course and place the stock on a 4 or 5% basis. It is anticipated that dividend action will be taken in the next few months.

At present levels of around 60 the stock has advanced 20 points from its 1922 low and has probably had the major part of the advance to which it is entitled in view of present operating conditions. If purchased for the long pull, however, it would appear to have possibilities of further appreciation in value as the company apparently has a growing business and should be able to develop a still larger earning power.

FOREIGN TRADE AND SECURITIES

(*Continued from page 691*)

Country	Main Exports
Colombia:	coffee, bananas, straw hats, hides, platinum, sugar.
Peru:	copper, cotton, skins, rubber, minerals, sugar, tin.
Uruguay:	bones, hoofs, etc., tanning extract, hides, meats, wool.
Venezuela:	asphalt, cocoa, hides and skins, rubber, sugar.

Considering the other factors which make for importing power, such as standard of living of the population, developed natural resources, internal financial organization, total export trade, and the like, we should arrange these countries in the following order of export trade potentialities: Argentina, Chile, Brazil, Peru, Colombia, Venezuela and Uruguay, although this order represents purely a subjective estimate of objective facts.

It will be seen at once, however, that many of these countries produce commodities which are either scarce or unknown in the United States. Typical of these products are tanning extract (quebracho), rubber, cocoa, coffee, tin, manganese, carnauba wax, sodium nitrate, platinum and asphalt. As these countries become more intensively and efficiently developed, they will be enabled to increase their output and hence their exports of these commodities, or as in the case of rubber, be enabled to compete with other countries which at the present time furnish the bulk of the world's requirements.

As they increase their export trade, they will at the same time increase their national purchasing power, as measured by their imports, and thus create an ever-increasing market into which the United States can pour its surplus of manufactured goods. The objections now heard on many sides, that Americans are inexperienced in the export trade, that there is no great open market for negotiable bills arising out of export trade in New York, comparable to the one in London, that we have forfeited much good will through unwise exporting practices in the past, and particularly during the war and the following boom, are all valid to a limited extent. With the accumulated pressure of surplus manufactured goods seeking an outlet and straining toward the export facilities of the seacoast, and with an increasingly receptive general market opening up in South America in the proportion as we help develop it through our financial resources, it is not difficult to predict that one by one these barriers will be broken down and thereby some solution be reached of the twin problems with which we started out, "How shall we dispose of our excess of manufactured goods?" and "How shall we dispose of our surplus of investment funds?"

BARGAINS IN COMMON STOCKS

(*Continued from page 703*)

appear to be sufficiently well "seasoned" to have lived down its poor pre-war record, and to be an eminently desirable purchase at current prices around 98, where it yields about 7¼%.

TEXAS CO.

A Leader of the Independents

This company is one of the largest of the "independents," and is engaged in all branches of the oil industry from producing to marketing. It owns outright over 300,000 acres of oil land, producing daily some 75,000 barrels, of which three quarters is Gulf Coast crude. It also leases over 1.6 million acres, distributed over every oil district in the country except Pennsylvania and California. It has ten refineries with a daily capacity of 105,500 barrels, of which the newest is the one erected last year at Casper, Wyo., with a capacity of 6,000 barrels a day, to take care of the company's increasing activities in the Wyoming fields.

While the Texas Co. has always had a good record in the industry, it strengthened its position enormously by its far-seeing action in 1920. Seeing a decline in oil coming as early as June, 1920, it cut down new drilling, got rid of a subsidiary, the Central Petroleum Co., which had an onerous drilling contract, and sold all the oil and gasoline it could on the basis then prevailing of $3.50 a barrel for Mid-Continent crude. It thereby put itself in a strong cash position, and when the break came which carried the price of the same crude down as low as $1.00 a barrel in 1921, it was strong enough to buy up large stocks of gasoline and oil at the bottom prices, at one time having in storage 10% of all the gasoline stored in the entire country.

As a result of these operations it earned $7.16 a share in 1920 and $1.54 in 1921 on its common stock of a par value of $25, and was in a cash position which enabled it to maintain and increase dividends to the highest point (reckoned in percentage of par value) in the last twelve years. In spite of the high rate of dividend payments it finished 1921 with a working capital of 122 millions, of which cash on hand amounted to 29.6 millions and Government securities to 12 millions. An indication of its strong financial position was its paying off of 27.7 millions of 7% notes, the greater part not due until 1923, in the early part of 1922, without new financing.

At present prices around 48 the stock yields on the current $3 dividend rate about 6.25%, which is not too low in view of the high probability of an increase in the dividend rate should business continue at the current high levels.

WESTINGHOUSE ELEC. & MAN'F'G COMPANY

Faces Prosperous Future

The common stock of this company is also another of the high-grade common

ck issues which are so attractive at is time. This company, of course, is ll nown as one of the greatest instrial aggregations in the world and has ng njoyed substantial earning power. he company has paid dividends in varying nounts since 1912 and at the present is ying at the rate of 8% or $4 on the $50 r value stock. Since 1913, it has earned the average about $8 a share. The mpany faces one of the most active and osperous periods in its history, a prospect hich has not yet been sufficiently disunted in the market. The stock is oted at around 60 with a yield of 6⅔% hich is high for a security of its sound aracter. Higher earnings could easily sult in a higher rate of dividends, as the mpany is in splendid financial position. **ompared with many other industrial curities, Westinghouse stock seems pecially attractive at this time for eculative investment and if held for reasonable period, its purchase ould result in a satisfactory profit.**

U. S. STEEL

For a more detailed analysis of the ospects of this company, readers are referred to page 706. That the stock is lly cheap at current levels, may not apparent from comparison of its income yield with those of other securities. owever, U. S. Steel is in an assured sition and can pay out the majority of future earnings to its stockholders, as ere is no longer any need of increasing e plant account or strengthening the rking capital position. **It is this outok that makes the stock seem so attractive at current prices around 105, in spite of the low yield of 4.76%.**

U. S. REALTY & IMPROVEMENT CO.

The business of this company consists of three parts: operating big office and other buildings, investing in real estate mortgages, and constructing new buildings through its subsidiary, the Geo. A. Fuller Co., which also has a shipbuilding subsidiary. It gets its income from rentals in such buildings as the Trinity, the Whitehall, the Fuller, the Hippodrome, etc., where office rents have gone up in recent years from $3 to $5 a square foot. As many of its leases are for many years ahead, about 30% of them on the average being renewed annually, the company has had some delay in taking advantage of the more favorable rent situation.

Earnings have been increasing steadily, however, since the war, which put an end to the so-called "overbuilt" condition of New York in 1914 and brought about the "underbuilt" state now prevailing. In 1917 the company cut down its property account by over 9 millions, in acknowledgement of the drop in real estate values then taking place or anticipated, and as it had a very slim surplus at that time, this write-off was converted into a profit and loss deficit of approximately 9 millions. Since then the continued good earnings have enabled the company to cut this deficit down to about $800,000, as of April 30, 1922, and in the fiscal year now closing it is anticipated that a profit and

loss surplus will be shown for the first time since 1917. As the estimated shrinkage is still carried on the books at 7.5 millions, it is evident that the company's policy is extremely conservative, as the improvement in real estate values on its property since 1917 has been more than the 2 millions acknowledged by the company in reducing its estimated shrinkage.

With earnings running at the rate of about $18 a share on the common or better, and a good outlook for high earnings from its construction business, the common appears to be due for higher dividends. This is especially true as the company has just floated an 8 million dollar issue of 7% preferred to pay off its debenture bonds, and has made this preferred convertible into common, share for share. Should it put the common on a higher dividend basis than the current 6%, as it can well afford to do, in order to induce preferred shareholders to convert into common, it would then have a simple financial structure, consisting of 240,000 shares of common, with no securities preceding them, a state of affairs very favorable to the company. **These possibilities make the stock look very attractive at 93, yielding 6.45%.**

U. S. STEEL CORPORATION

(Continued from page 707)

dends earned and an accumulation in surplus. The new year opened with these higher costs in operation discounted by higher prices, and such a basis of operation as is to be expected for the year, should show very fair profits. If anything, it is fair to expect that we shall not only face a healthy industry for six months but for the whole year. Any increase in steel export will be "velvet' in the earnings of the Corporation. In view of such prospects, a good year with fair profits, meaning a further increase in surplus, it would be then reasonable to expect an extra cash dividend at the end of the year, sanctioned not only by the prospects of the following year, but more important, the background of a year which had showed a legitimate, strong earning power.

In conclusion, though we are facing a year in which there exist some underlying nervous conditions, still the fundamental phases are sound and suggest a good year for the steel business. Of the four factors diagnosed that will affect the Corporation this year, two, railroad and coal, show positive signs of improvement with every promise of continued progress, one, the foreign situation, may get somewhat better, and assuredly cannot get much worse in so far as steel is concerned, and the last, labor, and most important, will exercise a restraint on production to a degree proportionate to business expansion. In fact, the labor issue may after all prove a boon in its role of acting as a checkvalve on undue optimism. Of all dangerous phases affecting business, the worst one is that so far unmentioned, the unrestrained optimism of industry bringing higher costs, higher prices, and with it a sure abrupt check on buying powers as was manifested some few years ago. Any factor which undermines the solidity of busin[ess] is dangerous, and more so if it appears [in] the guise of a veiled threat and outwa[rd] promise of an artificial boom.

The real dangers ahead, therefore, lie [in] the very hands of the business men [of] this country, and if a sane attitude is tak[en] of conditions valuing each condition wi[th] sobriety, forging ahead in orderly fashi[on] to better business and fair profits, if th[e] lesson of 1920 has been thoroughly learne[d] then 1923 should show for all business [a] fair return and fair business. That th[e] conservatism of the Corporation will sta[nd] it in good stead this year is a surety, a[nd] their restraining influence on all busines[s] for the betterment of industry as a whol[e] will be reflected in their own business t[o] advantage.

BUTTE & SUPERIOR MINING CO.

(Continued from page 723)

following figures giving an idea of th[e] relative importance to the company of th[e] different metals:

	1916	1920
Gold, ozs.	6,619	3,34[illegible]
Silver, ozs.	4,126,938	1,812,55[illegible]
Copper, lbs.	2,390,416	884,03[illegible]
Lead, lbs.	15,487,518	7,660,22[illegible]
Zinc, lbs.	195,083,557	91,642,26[illegible]

In the latter half of 1922 a rich ore body of copper was discovered on th[e] Black Rock claim, whose legal status ha[s] been settled by the Clark Montana litiga[-] tion of 1919. This ore varies from 4 t[o] 6%, and while its extent is still unknown it bids fair to be a source of profit to th[e] company, as it more than paid for i[ts] own development expenses so far.

The zinc ore reserves of the company as of the end of 1921, amounted only t[o] 484,507 tons, or scarcely a full year's re[-] quirements at high-speed operation, [a] condition partly attributable to the 191[9] litigation, which cut down reserves by 200,000 tons, according to the final decision as well as holding up development wor[k] while the case was pending. Howeve[r] the company is doing about 3 miles of de[-] velopment work a year, and there are n[o] indications as yet that the Rainbow Lod[e] is approaching exhaustion.

At the same time, the fact must b[e] reckoned with that the quality of the or[e] has been deteriorating steadily for years although the improved concentratin[g] methods have counteracted this to a gre[at] extent. Production costs for the zinc a[re] about 5 cents a pound, compared with [a] market price somewhat above 7 cent[s.] The company also benefits by the Pittma[n] Act to the extent that it produces silve[r] of which it has five ounces to the ton o[f] ore, and the new copper occurrence ma[y] be counted on to help out to some exten[t] although how much is not yet known.

As the earnings figures attached indi[-] cate, Butte & Superior has had a difficu[lt] time of it since the war, and it is not co[n-] sidered likely that when the 1922 repo[rt] is issued, it will show a particularly bri[l-] liant record, as only about 84 millio[n] pounds of zinc were produced during th[e]

year, and shut-down expenses in the early part of the year and a soft zinc market also kept earnings down. A small margin earned on the common is all that is expected.

As the company paid no dividends from 1917 to 1922, however, it has had an opportunity to build up a fair working capital, amounting to 2 millions, of which $900,000 are cash and $444,000 Liberty bonds and war savings certificates. On the 209,198 shares of capital stock, of $10 par value, which constitute its entire capitalization, this amounts to nearly $10 a share. As current dividend requirements are only about $400,000, the company's financial position would easily enable the continuance of the $2 rate.

On the more or less arbitrary assumption that the company will produce during 1923 at least 50% more than during the poor year 1922, or 126 million pounds of zinc, without allowance for the other metals, the present profit margin of 2 cents a pound would mean 2.5 millions gross profit. Deducting depreciation and depletion at the rate usually adopted by the company, about $850,000, the net would work out at about $8 a share, which would enable the company to increase the current rate. There are also the possibilities presented by the new copper development and perhaps the restoration of dividends on the 35,000 shares of American Zinc, Lead & Smelting. **These factors seem to more than counterbalance the low ore reserves, necessitating much development work, and the declining grade of ore obtained, and make the stock seem an interesting speculation at the present price of 30, where it yields about 6.67%.**

PROSPECTS FOR LARGER BUSINESS VOLUME

(*Continued from page* 700)

good level, the latest reported figure being 344 millions and covering operations down to January 1st, 1923. As illustrated in import duties the movement of goods into the country should be considerable, customs receipts being large, but actual comparisons with former years are out of the question, due to the fact that the rates of duty now levied are now so much higher than heretofore.

Pending the publication of the complete figures for recent months conclusions of course cannot be drawn, and even when published it must be concluded that the movement of our foreign trade is still subject to such great disturbances, partly political and partly economic, that no very sound conclusions as to its effect upon domestic business can be reached. What can be said in a negative way is that foreign trade is not in a healthy condition so far as Europe is concerned and is not likely to become so until such time as the extraneous element, due to war, occupation of German territory, and extreme currency and banking disturbance has been eliminated.

UNLISTED UTILITY BOND INDEX

POWER COMPANIES

		Asked Price	Yield
Adirondack P. & Light 1st. & Ref. 6s, 1950	B..	101	5.90
Adirondack Electric Power 1st 5s, 1962	A..	96½	5.20
Alabama Power Co. 1st 5s, 1946	A..	93	5.50
Appalachian Power Co. 1st 5s, 1941	B..	91	5.80
Calif.-Oregon Power Co. 1st & Ref. 7½s Series A, 1941	B..	108	6.70
Central Maine Power Co. 1st & Gen. Mtge. 7s Series A, 1941	C..	103	6.65
Central Maine Power Co. 1st 5s, 1949	A..	93 bid	5.50
Central Georgia Power Co. 1st 5s, 1938	A..	90	6.00
Columbus Power Co. (Georgia) 1st 5s, 1936	A..	97	5.30
Colorado Power Co. 1st 5s, 1953	B..	92	5.55
Consumers Power Co. (Michigan) 1st 5s, 1936	A..	96	5.40
Electric Development of Ontario 5s, 1933	A..	96	5.50
Great Northern Power Co. 1st 5s, 1935	B..	95	5.60
Great Western Power Co. 1st & Ref. 7s Series B, 1950	B..	107	6.35
Great Western Power Co. 5s, 1946	A..	93½	5.50
Hydraulic Power Co. 1st & Imp. 5s, 1951	A..	99	5.00
Idaho Power Co. 5s, 1947	B..	94	5.45
Laurentide Power Co. 1st 5s, 1946	B..	95	5.40
Madison River Power Co. 1st 5s, 1935	A..	99	5.10
Mississippi River Power Co. 1st 5s, 1951	A..	94½	5.40
Niagara Falls Power Co. 1st & Cons. Mtge. 6s, 1950	A..	105	5.60
Ohio Power Co. 1st & Ref. 7s, 1951	B..	105	6.55
Penn.-Ohio Power & Light Notes 8s, 1930	C..	108	6.50
Potomac Electric Power Gen. 6s, 1923	A..	100	6.00
Puget Sound Power Co. 1st 5s, 1933	A..	95	5.60
Salmon River Power 1st 5s, 1952	A..	95	5.30
Shawinigan Water & Power Co. 1st 5s, 1934	A..	99	5.10
Southern Sierra Power Co. 1st 6s, 1936	A..	100 bid	6.00
Southwest Power & Light 1st 5s, 1943	B..	89	5.97
West Penn Power Co. 1st 7s, 1946	B..	105½	6.65

GAS AND ELECTRIC COMPANIES

Bronx Gas & Electric Co. 1st 5s, 1960	B..	89	5.70
Buffalo General Electric Co., 1st 5s, 1939	A..	101	4.90
Canton Electric Co. 1st 5s, 1937	B..	97½	5.25
Cleveland Elec. Illum. Co. 5s, 1939	A..	99½	5.05
Denver Gas & Electric Co. 1st 5s, 1949	A..	94½	5.40
Evansville Gas & Electric Co. 1st 5s, 1932	B..	92	6.10
Indianapolis Gas Co. 1st 5s, 1952	A..	88½	5.80
Los Angeles Gas & Elec. Gen. 7s, 1931	C..	105½	7.85
Nevada Calif. Electric First 6s, 1946	B..	97	6.30
Okla. Gas & Electric 1st & Ref. 7½s, 1941	B..	96	5.80
Okla. Gas & Electric 1st Mtge. 5s, 1929	A..	104	7.10
Rochester Gas & Electric Corp. Series B 7s, 1946	B..	110	6.20
San Diego Cons. Gas & Electric 1st Mtge. 5s, 1939	A..	94	5.55
San Diego Cons. Gas & Electric 1st Mtge. Ref. 6s, 1939	B..	102	5.80
Standard Gas & Electric Conv. S. F. 6s, 1926	B..	100½	5.90
Standard Gas & Electric Secured 7½s, 1941	C..	104	7.10
Syracuse Gas Co. 1st 5s, 1946	A..	94½	5.40
Twin State Gas & Electric Ref. 5s, 1953	B..	83	6.25

TRACTION COMPANIES

American Light & Traction Notes 6s, 1925	*B..	*101	5.65
Bloomington Dec. & Champ. Ry. Co. 1st 5s, 1940	C..	74	7.75
Danville, Champ. & Decatur 5s, 1938	B..	90	6.00
Georgia Railway & Power 5s, 1954	B..	90	5.70
Kentucky Traction & Terminal 5s, 1951	C..	76	6.90
Knoxville Railway & Light 5s, 1946	C..	.86	6.15
Milwaukee Light & Heat & Traction 5s, 1929	A..	97	5.60
Memphis Street Railway 5s, 1945	C..	79	6.80
Northern Ohio Traction & Light 6s, 1926	B..	97	7.00
Nashville Railway & Light 5s, 1953	B..	93	5.45
Portland Ry. P. & L. 1st & Ref. Series A 7½s, 1946	C..	106	7.30
Topeka Railway & Light Ref. 5s, 1933	C..	87½	6.75
Tri-City Railway & Light 5s, 1930	C..	92	6.30
United Light & Rys. Ref. 5s, 1932	C..	89	6.60
United Light & Rys. Notes 8s, 1930	C..	106 bid	7.00

TELEPHONE AND TELEGRAPH COMPANIES

American Tel. & Tel. 5-Year 6s, 1924	A..	101	5.40
Bell Tel. Co. of Canada 1st 5s, 1925	A..	98	5.70
Chesapeake & Potomac Tel. Co. (Va.) 1st 5s, 1943	A..	95½	5.42
Home Tel. & Tel. of Spokane 1st 5s, 1936	A..	94¼	5.60
Western Tel. & Tel. Collateral Trust 5s, 1932	A..	97	5.40

* Without warrants.

A—High Grade. B—Middle Grade. C—Speculative.

BETTER DEMAND FOR BONDS

Good Issues Once Again in Demand

MODERATE gains in unlisted and listed bond prices have been noticeable the last few weeks, after a period of hesitancy which lasted from early in November well along into the latter part of January. This does not necessarily mean that the bond market can be expected to immediately resume the upward movement which was interrupted last year but indicates a return of confidence despite the large number of issues which have been coming out. Public utility bonds on the whole did better during the last few months than bonds of industrial companies or railroads holding their gains of 1922 in better shape.

Taking a long range viewpoint, public utility bond prices are still much below those prevailing in 1917 despite the fact money is dearer now. It is estimated that current prices are still on an average five points below those of six years ago, just before the downward movement in all classes of securities of the public utilities got under way.

Better tone prevailing early in the month in the stock market has helped some though the absorption in good shape on the part of investors of the many new issues coming out has been commented on and made for a renewal of confidence to some extent.

Higher Yields

The investor has benefited by the large number of new issues reflected in better yields on current offerings. A wide range of yields has been put in the market. The Pacific Gas & Electric issue constituting a first lien on properties placed at twice the amount of the issue were sold to the investor at a price to yield 5.60% while an issue of the St. Maurice Power Co. bonds was put out at a price to yield 6.55%.

The new issue of St. Maurice Power Co. Ltd. 6½% is a long term bond running to 1953 and should offer an attractive yield to those who do not have any prejudice against investing in Canadian securities. A plant of 120,000 horse power will be constructed on the St. Maurice River, Quebec. Shawinigan Water & Power Co. has agreed that for a period of forty years it will purchase enough power from the company to insure taking care of sinking fund requirements and interest on the bond issue.

This is practically a guarantee on the part of the Shawinigan company whose securities have a good rating. Shawinigan Water & Power consolidated 5% bonds of 1934 sell around 99 where the yield is 5.10%. The 5½% bonds of 1950 sell at 101 yielding 5.40%.

General Gas & Electric

General Gas & Electric Co. bonds and notes continue to offer attractive yields to those who are looking for securities which have speculative possibilities. The secured 6s of 1929 selling around 89 show a yield of 8.10% if held to maturity while the convertible 5s of 1932 at 80 give a yield 8%.

SCIENTIFIC STOCK SPECVESTMENT

SUCCESS in investing and speculating is not measured by being 100% right, nor even 80% right. It is measured by just four things:

1. Being more often right than wrong.
2. Making gains in the aggregate exceed losses.
3. By being ahead of the game over a period of years.
4. Salting away the difference in an ironclad trust agreement where it is proof against ourselves from further interference.

People like ourselves who devote our whole lives to the task of analyzing conditions and advising busy men are not cleverer than our average reader. Some of our readers know more in a worldly and business way than we do. But they haven't the time to specialize nor study in the immense field necessary to know their bearings, or they have overlooked something. Others again are frankly in the dark and place themselves entirely in our hands for guidance. Whatever the condition of the reader, investor, trader, or speculator may be, we consider ourselves nothing more than an expert secretarial organization, ourselves employing our sub-secretaries and their helpers to gather and report the details to us.

But what does all this involve?

It involves the "formula" we mentioned.

We are met in the street and asked "What do you think of the market?" We get it in letters and telegrams. The Wall Street man is hardly immune from that fool-question. It is safe to say that from Fulton street to the Battery (we suppose all our readers know the district) the majority of people meeting comment on the weather, but that is only an excuse to ask "How do you like the market—what do you think of Steel—Standard Oil—?" The latter is now more fashionable and is likely talked about, but in this idle questioning is the keynote of the difficulty and fascination in selling out ahead of the questioner, and buying before he even gets ready to think what I think of the market!

The chronic bull makes money (sometimes) in bull markets, and in the long waits in between he either makes nothing, or buys half a dozen times too soon, or sells out his stale long stocks at big losses, wiping out real profits, paper profits, and sometimes a whole lot of imaginary profits.

This is because for consistent success, year in and year out, during bull and bear markets alike, it is necessary to have a mental or actual "formula" and it is ponderous, bulky, expensive, and tyrant of your time. The alternative is to use the formula of the man or the organization who has it—if you are sure he or it has it.

Over-the-Counter

IMPORTANT ISSUES

Quotations as of Recent Date

American Type Founders	66 — 70
Pfd.	98 —101
Atlas Portland Cement	64 — 69
Babcock & Wilcox	107 —109
Borden Co.	*113 —115
Pfd.	101½—103½
Bucyrus, pfd.	100 —105
Celluloid Co.	93 — 98
Childs Co.	143 —148
Pfd.	110 —112
Congoleum Co., 1 . pfd.	93½— 95
Congoleum, com.	135 —145
Crocker Wheeler	50 — 55
Pfd.	90 — 97
Jos. Dixon Crucible	138 —143
Gillette Safety Razor	†270 —280
Ingersoll Rand	105 — ..
New Jersey Zinc	170 —173
Niles-Bement-Pond	49 — 51
Phelps-Dodge Corp'n.	162 — ..
Royal Baking Powder	130 —140
Pfd.	99 —101
Savannah Sugar	51 — 54
Pfd.	103 —106
Singer Mfg. Co.	107 —109
Thompson Starrett	75 — ..
Victor Talking Mach. (New)	158 —163
Ward Baking Co.	125 —130
Yale & Towne	58 — 61
Lawyers Mtg.	158 —162

*Ex Dividend.
†Listed on N. Y. Curb Exchange.

Two Strong Features

IN the past fortnight, securities in the Over-the-Counter market were generally active and firm, while two issues scored remarkable advances. Childs Co. was the outstanding feature of the market, selling from 127 to as high as 153, or a total gain of 26 points; while Royal Baking Powder was in increasingly good demand, its bid price moving up 7 points. Childs later reacted considerably, but is in good demand at current prices around $145 per share. Both these securities were selected for particular comment in the last issue of this Deparment.

Following out the plan inaugurated in our February 3rd magazine, two more Over-the-Counter securities are analyzed below. Gillette Safety Razor has been listed on the New York Curb, but is grouped in our list for the reason that a number of this Department's readers first became interested in this issue when it was an Over-the-Counter stock.

The intended analysis of American Piano Co. must again be postponed. It had been hoped that an official statement from this corporation would be available in time for this issue, but such is not the case; and, as there have been no official figures published by Ampico since 1920, little value would be derived from an analysis of the available figures, now over two years old.

The Borden Company

Par: $100—Annual Rate $8—Yield at $113: 7.08%

Date of Organization: 1857.

Business: Preparation and distribution of best-known brands of condensed milk, and allied products; malted milk and allied products, milk chocolate, etc.

Plants: Has 25 complete condensaries, 10 tin-can manufacturing plants, 23 feeders, 2 confectionary plants, 2 malted milk plants and 1 dry milk plant, at widely distributed points in the United States and Canada.

Subsidiary: Borden's Farm Products Co., which took over the dairy and farm products business of Borden's in 1917. Of this company's outstanding capitalization, consisting of $417,700 7% cumulative 1st preferred, $3,500,000 6% cumulative 2nd preferred and $13,500,000 common, all but the 1st preferred is owned and held by the controlling company.

Capitalization: Funded Debt: None,
Preferred Stock (6% Cum., Par, $100): Authorized and outstanding, $7,500,000. Callable at 110.
Common (Par, $100): Authorized, $22,500,000; outstanding, $21,368,000.

Dividends: Preferred, regular quarterly dividends at rate of 6% paid since issuance. Common: 1902, 8%; 1903, 8% and 1½% extra; Dec., 1904, to date, 8% per annum, and in December of each year from 1904 to 1907, inclusive, 2% extra; in August, 1917, ½% extra for Red Cross.

RECENT EARNINGS:

	Gross Sales*	Net Income*	Earned Per Share Pfd.	Earned Per Share Com.
1919	$122,284	$4,285	$57.13	$17.95
1920	120,294	2,819	37.58	11.03
1921	99,880	2,925	39.00	11.53
1922	Not Reported	E7,969	E100.00	E20.00

E—Estimated. *In Thousands.

WORKING CAPITAL*

	1919	1920	1921
Current Assets:*			
Investments	$ 6,512	$ 6,507	$ 6,507
Cash	2,187	3,034	2,716
Receivables	8,110	6,446	4,797
Securities	907	901	1,268
Finished Goods	7,969	10,443	4,211
Raw Materials and Supplies	6,497	8,729	5,403
Total	$32,182	$36,060	$24,902
Current Liabilities* (Including Reserves):			
Notes Payable	$ 2,963	$12,750	$ 4,435
Accounts Payable	5,630	3,801	4,064
Accrued Accounts, etc.	2,024	1,414	1,391
Deferred Liabilities	283	72	124
Depreciation Reserve	5,819	6,636	5,163
Other Reserves, etc.	6,619	5,505	6,407
Total	$23,338	$30,178	$21,584
Net Working Capital* (Based on Current Assets and Current Liabilities as Above)	$ 7,844	$ 5,882	$ 3,318

*In Thousands.

Remarks: The Borden Company, operating a business formed over 65 years ago and about the nearest thing to an essential to be found, is understood to be in the best financial position in its history today, with the outlook pointing to a continuance of present active operations.

Toward the close of 1920, the corporation's current debt heavily increased, its notes payable at the end of that year totaling 12.7 millions as against 2.9 millions at the close of 1919. In 1921, however, this account was greatly reduced; in fact, the sum of notes and accounts payable at the end of 1921 was $9,890,049, as against nearly $18,000,000 in the previous year; and reliable reports to this department are to the effect that the Borden Co. will be able to show far greater progress in this direction for 1922.

The earnings of the corporation have been at a very high rate by comparison with its preferred stock issue, totaling over $57 a share on this issue in 1919, and over $39 a share in 1921. For 1922, Borden is believed to have earned close to $20 a share on its common stock; and if this prove true, then its total net income must have approximated $8,000,000, or something like $100 a share on the 75,000 shares of 7% cumulative preferred outstanding.

Those who have watched developments in the Borden situation express the belief that directors may soon take advantage of the callable feature of the preferred shares. While a purely conjectural report such as this does not afford a sound basis for investment commitments, it does serve to reflect current opinion of the corporation's financial status.

Borden common, at $113 per share, to yield slightly over 7%, is selling considerably below the average income-level of other, no better fortified securities. Childs Company, for example, is selling at this writing to yield only about 5.60% and, although its latter-year results appear to have been somewhat more even than Borden's, nevertheless its shares are very similar in investment merit. To yield 6%, which would bring it close to the average level of our Over-the-Counter issues, Borden would have to sell at over $130, and nothing in the company's record or present position precludes that price.

This department believes that Borden common can be recommended with confidence as a first quality investment security for business men.

Gillette Safety Razor

Par: None—Annual Rate $12 Cash, 10% Stock—Yield at $270: See Text

Date of Organization: 1912
Business: Manufacture and distribution of safety razors
Plants: Factories at Boston and Montreal
Foreign Offices: Agencies in all important countries
Capitalization: Funded Debt: None
Pfd. Stock: None
Common Stock: Authorized: 500,000 shs.; outstanding 302,500

RECENT EARNINGS:
(In Thousands)

	1915	1917	1919	1921	1922 (Est.)
Net Before Taxes	$2,427	$4,604	$6,025	$7,009	$9,000

Remarks: Gillette's leadership in its rich field is unquestioned. The corporation is resourceful, well-managed and strong financially. In the last five years, the company sold over 16 million razor sets. Comparing this figure with the 2,500,000 sets sold in the previous 5 years, we have a striking evidence of the growth of the business.

The corporation has recently paid stock dividends at the rate of 10% a year. Far from diluting in value on this account, the shares have been pronouncedly strong for several months. Since first singled out for mention here, they have advanced from 210 to above 270—the latter a high record price.

In addition to the stock dividend, the corporation has distributed cash at the rate of $12 a share.

It is interesting to note that anyone who purchased 10 shares of this issue at 210, say, a year ago, has since seen his holdings increased 60 points in market value per share; has received 1 additional share in stock, and has also received $12 in cash. With the stock now worth $270, this means:

Present Value of Original 10 Shares	$2,700
Present Value of One Share Received as Stock Dividend	270
Cash Dividend Received	12
Total	$2,982.

As the 10 shares bought at 210 would have cost $2,100, the total available increment at present prices would be $892, or some 28% of the cost.

If the stock maintains its present price, if stock dividends at the rate of 10% annually continue, and cash dividends at the rate of $12: Then the purchaser of 1 share today would receive on his $270 investment, $27 of value in new stock and $12 cash, or $39 altogether. This would mean a yield of almost 15% on the investment.

Disregarding the stock dividend, Gillette at 270 offers a straight cash yield of 4.44%.

There is, assumedly, a point where Gillette's expansion will be reached. The company has a world-market, however, and it is not easy to ascertain just where that point would be. Meanwhile, speculative possibilities of the issue are not small. **While Gillette can hardly be recommended for simon-pure investment, in view of its phenomenal expansion, it still appears to be a good business man's risk.**

ACTION ON RURAL CREDIT IN DOUBT

(*Continued from page* 725)

introduction of drastic amendments, or through the merging of doubtful bills into one, will result in a sharp reaction of feeling that may defeat the whole proposition.

It is generally believed today that there will be no action at this session upon the various sharply contested issues, which had threatened to present themselves at the opening. Among these are branch banking and action on par clearance of checks. Those who desire to have these questions threshed out have met with no success, because of the opposition of the political leaders who desire to keep the way clear for rural credits legislation, carrying with it, of course, amendments to the Federal Reserve Act now at least open to doubt regarding their future possibilities. If present executive plans to leave Congress in adjournment until next winter should, as reported, hold good, as they evidently are likely to do, something like another year would be gained, within which opinion on these questions may have an opportunity of crystallizing. There has been, thus far, little change in the bitterness of the various contestants engaged in the controversy, although what looks like a tacit agreement to leave the branch and par questions in abeyance until a more favorable time, when they can be assured consideration, has seemingly been reached.

The Comptroller of the Currency has filed a belated report with Congress, in which he sketches the present situation of the National banking system and makes some interesting recommendations.

The Controller of the Currency reviews the situation in the National system and finds that during the year ended June 30, 1922, the gross earnings of national banks amounted to 1,067 billions, a reduction as compared with the preceding year of 34,651 millions. Losses for the year amounted to 135 millions on account of loans and discounts and 33.5 millions on account of bonds securities, etc. The net addition to profits for the year was 184 millions. He finds that demand deposits increased during the past year by about 1 billion, amounting to 9,415 billions at the last report date in 1922. By way of new legislation he recommends an extension of the charter life of national banks to a ninety-nine year period and also permission for the consolidation of state and national banks under the same terms as provided for the consolidation of national banks. The establishment of branches within the towns in which national banks exist is once more suggested and some changes in the penal sections of present law are likewise indicated. Besides these more or less familiar changes some important alterations affecting the conditions under which banks may liquidate are also presented for the attention of Congress while special punishment for the issuance of false statements regarding the condition of national banks is furthermore favorably commented upon in connection with a bill now pending in the House of Representatives. In speaking of the Federal Reserve system the Controller says: "That some expectations which were entertained at the time of its establishment have been disappointed." First among these disappointments he enumerates the failure to enlist a larger share of the banks of the country and urges that there be "wise liberality in dealing with the national banks and the Federal Reserve system" in order to keep its membership well up to requirements. The Controller furthermore predicts the necessity of returning a considerable part of the gold held in the United States to foreign countries and he asserts that the most difficult banking situations to be dealt with at the present time are those which exist in sections where agricultural depression prevails. However, he regards the banking situation as definitely better all around than it was at the time of the last report and apparently is of opinion that the recommendations made in the present report will tend to improve it still further as well as to keep the banks better satisfied with the position of the national system than they could otherwise be.

INCOME TAX DEPARTMENT

(*Continued from page* 731)

$1,000, the combined net income is $1,500. No return need, therefore, be filed by them unless the combined gross income is $5,000 or more even though if considered separately, a return would be required of the husband since his income exceeds $2,000.

A substantial difference in tax liability, therefore, may be created, dependent upon whether a joint return is filed or whether separate returns are filed for the husband and wife. The reason for this difference is obvious. Incomes above $6,000 are subject to graduated surtax rate. The greater the income above that amount, the higher is the surtax rates. If, therefore, the combined income of husband and wife exceeds $6,000, and each separately has a net income, they subject themselves to higher surtaxes, by filing a joint return than by reporting separately. For, individually, there may be no surtaxes imposed, or, if any at all, the amount would be less than when reporting jointly.

This can be more vividly seen from a concrete example. Let us assume, that the husband's income is $5,000 and the wife's income is $5,000 and that neither have dependents. If a joint return were filed, the net income would appear as $10,000, on which they would be entitled to $2,000 exemption, leaving $8,000 subject to tax. For normal tax purposes, $4,000 would be taxed at 4%, or $160, and $4,000 at 8%, or $320. The total normal tax would, therefore, be $480. Surtaxes would be 1% on the $4,000 of income between $6,000 and $10,000 or $40. The total tax, therefore, would be $520.

If separate returns were filed, they would each report a net income of $5,000 and take an exemption of $1,000, leaving a net income subject to a tax of $4,000, which would be taxed at 4%, or $160. The total tax, therefore, that they would have to pay would be $320. As the tax shown by the joint return was $520.00, a net saving of $200 results.

It should be noted that in working out the foregoing example, it was assumed that when separate returns were filed, the $2,000 exemption was divided equally between them. The law does not require this to be done, but permits the exemption to be taken in any proportion the parties see fit. In other words, the husband could have taken the entire $2,000 exemption, and the wife none, or vice versa; or it may have been divided in any other proportion agreed to between them. By dividing the exemption equally, however, in this case the greatest saving resulted as, otherwise, either the husband or wife would have had to pay the 8% normal tax on the part of the taxable net income in excess of $4,000.

It can thus be concluded that where the combined income of the husband and wife is greater than $6,000, separate returns rather than joint returns should be filed, except, of course, where one of the marital unit has a net income and the other a net loss. Where, however, the com-

bined income is less than $6,000, and both the husband and wife have a net income, it makes no difference whether a joint or separate return is filed. Here, too, an exception must be noted and it applies where the combined net income is brought below $6,000 as a result of offsetting the losses the husband may have sustained as against the income of the wife, or vice versa, for then it is apparent that it is to their advantage to file a joint return.

Another feature of joint returns is that their filing is entirely optional with the taxpayers and that a joint return can be filed one year and separate returns filed another. It was held that even where a husband and wife had already filed separate returns, they had the right to file amended returns on a joint basis and obtain any refund due them.

In some states the Community Property Law exists. The Income Tax Department recognizes this law and so permits the husband and wife to report according to its provisions. In those states, it is therefore possible for the salary or business income of the husband to be divided between husband and wife and reported for tax purposes in that manner. In the Eastern and Mid-Western States, however, the Community Property System is not a recognized institution and, therefore, not applicable.

Questions and Answers

Q.—I wish to ask you the best way of treating the following in my Income Tax Report. I sold a house for the sum of $2,800. The house was acquired in 1904 at a cost of $1,650. Since its acquisition, $346.50 was spent installing a bath, $75.00 in building a shed and $60.00 in putting in new steps. Can I deduct these expenditures besides the taxes paid on it this year? Also may I make allowance for depreciation? Some tell me I cannot. I must also add that a boiler for hot water was put in last year at a cost of $27.00. The house is assessed for $1,550.00.—H. R.

A.—It is first important to know the March 1st, 1913, value of the building, for before a profit is created, the sales price must exceed March 1, 1913, value of the property sold. In arriving at the profit on the sale, the cost of installing the bath, etc., can be added to the cost of the house, or its March 1, 1913, value if the additions were made after that date. Then it becomes material to know whether the property was used for residence purposes or was held for investment. If the former, the profit is determined by the difference between the sales price and the March 1st, 1913, value, plus the cost of the additions subsequently made. If the property was not used for residence purposes the gain is computed by off-setting against the sales price, the net total of March 1, 1913, value and the additions subsequently made, less depreciation computed on the March 1, 1913, value to the time of the sale.

In either event, the taxes for the current year can be deducted.

Q.—Have been advised through advertising matter received from Dental Supply houses having accounting books to sell that tax returns for 1922 will carry requirements that an itemized showing of all receipts will be demanded of Dentists, Physicians and other professions. As I did not learn of this till well into the year and never having kept strict account of cash receipts till after I did learn of this new ruling, I will thank you through the columns of the Magazine if you will set me straight on this point. It has not been required till this year and I am not certain at all about it not having access to any authoritative source till now.—F. L. N.

A.—The writer is not aware of any requirements in the 1922 returns that an itemized showing of all receipts is demanded from professional people. The only 1922 forms that have been as yet released are those for individuals having an income of $5,000 or under and there is nothing on those forms or incorporated in the instructions accompanying them that mentions anything in this respect. Nor is it believed that the Department would ever reasonably make such a requirement, for it would by far overburden the form with information that is not material towards the proper audit of the return.

This matter need not, therefore, be of further concern to you until the Department specifically makes it a requirement.

OUR NEW SCHOOL FOR TRADERS

(*Continued from page* 677)

subject of intelligent operating in stocks. Just as physicians, engineers and those of other professions, pass their discoveries and their problems along to their associates by means of addresses and papers printed in their society journals, so we hope to inaugurate a spirit of cooperation among our subscribers in which the result of their studies and observations may be published in this department with due reservation of anything that appears too valuable to be disclosed.

One feature of this department will be the republication of certain of our most instructive articles, not alone for their intrinsic value, but because they will suggest to our readers certain lines of investigation by which many will profit, and we hope that the result will be the evolution of even more valuable articles than those which first appear. We trust that our readers will take a deep personal interest in this field and that the effect will be a new school of operators who eventually will prove to be more intelligent and successful than any other group in or out of Wall Street.

The first article or lesson in this new School for Traders will appear in the March 17 issue of the Magazine. In the meantime, if any of our subscribers have suggestions to make, we will appreciate their communicating with the Managing Editor, using a separate sheet of paper from all other communications, and marking it at the top, "School for Traders."

Securities and Commodities Analyzed in This Issue

BONDS

RAILROADS

INDUSTRIALS

PUBLIC UTILITIES

PETROLEUM

MINING

Canadian Securities Dept.

ACTIVE SECURITIES

DEALT IN ON MONTREAL AND TORONTO STOCK EXCHANGES

(Quotations in Canada)

PULP & PAPER

Div'nd Rate		Recent Bid	Recent Asked
$4	Abitibi (M)	68½	68¾
..	Brompton (M)	39⅝	39¾
6	Laurentide (M)	92⅞	93
2	Price Bros.	45¼	45⅜
7	Spanish River (M)	95	96½
7	do. pfd.	103¼	103⅝

PUBLIC UTILITIES

Div'nd Rate		Recent Bid	Recent Asked
8	Bell Tel. (M & T)	116¼	116¾
4	Brazilian Tr. (M & T)	43¾	44
6	Can. Gen. El. (M & T)	82½	84
10	Con. Gas (T)	152	156
10	Mont. Tram (M)	..	160
5	Montreal Power (M)	107¼	107½
6	Ott. Power (M & T)	91	91½
7	Shawinigan (T)	115¼	115⅜
..	Que. Rwy. (M)	22⅞	23

MISCELLANEOUS

Div'nd Rate		Recent Bid	Recent Asked
$6	Asbestos (M)	68½	69
7	do. pfd. (M)	86½	87
..	Atlantic Sug. Refrs. (M)	22¾	..
..	Brit. Emp. Steel (M)	9	10
..	do. 2nd pfd. (M)	24¾	25
..	Can. C. & F'dry (M)	29	31
..	do. pfd. (M)	..	70
6	Can. Cement (M)	80¾	81
..	Cons. Smelting (M)	27⅜	27½
..	Dom. Canners (M & T)	27	28
7	do. pfd.	75	80
7	Dom. Glass (M & T)	94½	95
..	P. Lyal (M)	40	42
8	Canadian Cottons (M)	120	120½
12	Dominion Textile (M)	*67¼	67⅝
8	Penmans (M)	140½	141
12	Ogilvie Flour, Ltd.	306	307
12	Lake of the Woods	182	184

* Rights expired.

CANADIAN securities were active and firm during the month just ended. Such important price-changes as were recorded among the securities selected for quotation in the table above were on the constructive side, among the widest changes in the bid-price being:

	Previous Bid	Recent Bid
Asbestos Corporation	65	68
Dominion Glass	89	94½
Canadian Cottons	115	120
Penmans, Ltd.	128	140½
Ogilvie Flour	295	306

The financial community, of course, was much encouraged by the pronounced activity and strength shown in the American markets, as Canadian securities frequently follow United States markets quite closely.

A feature of great interest in banking circles was a reduction of ½% in money rates. The existing money situation was described as fundamentally strong in this correspondence as of January 20th, and reference was made to the fact that private funds were in sufficiently large supply to be loaning at 6%, against a rate of 6½% imposed by the banks. On January 22nd, the correctness of these conclusions was demonstrated by a reduction in the call loan rate in Montreal from 6½% to 6%.

Students of conditions see nothing in the present situation to demand particular caution at this time, and much that warrants encouragement. Canadian industries are enjoying active markets and there are no indications of oversupply.

Strength in the securities tabulated above was not the result of any new developments, but rather the outcome of a better appreciation of their relative investment merits. Canadian Cottons, for example, increased its gross revenues from sales by over 100% in the period from 1916 to and including 1921, and has regularly shown a good margin of earnings for its common shares. The phenomenal rise in cotton values in recent months has exerted a similar effect on the value of this corporation's inventories. (Further information regarding this company was contained in our issue for December 23, 1922.) Obviously, the company has maintained a strong financial position and good earnings, and at its previous comparatively low price was out of line. At the new price of 120, the issue offers a yield of 6.66%, which does not seem too low for a concern of its calibre.

Penmans, Limited

The common stock of Penmans, Limited, was the outstanding feature of the market, advancing over 12 points. The advance was in response to the declaration of a bonus of 2% on the stock (payable February 28 to record stock of February 16) and this in turn was based on the company's greatly improved position. There follow an analysis of Penmans' results for the period from 1916-1920:

	Sales	Earned Per Share Preferred	Earned Per Share Common
1916	$5,840,127	$20.9	$7.4
1917	6,896,496	28.6	11.3
1918	8,648,383	24.9	9.5
1919	8,538,848	33.8	13.9
1920	9,490,181	29.0	11.6

The company was able to earn its fixed charges in 1921 by a good margin; but the reversals suffered by all industry that year prevented Penmans from earning its full dividends, and a small deficit ($164,511) constituted its final result for the year.

Penmans' affairs are believed to have been about as good last year as they were poor in 1921. The corporation manufactures knitted goods, principally, but all other kinds of woolen and cotton goods; it has seven mills in Ontario and two in the Province of Quebec; at the close of 1921, its current assets were some 15 times its current liabilities; and its working capital amounted to over $3,000,000. Thus Penmans has been in a position to take full advantage of the great improvement that has occurred in the textile industry.

Those who have studied the affairs of this company believe that the 2% bonus,

in addition to the regular annual 8%, will be maintained, i. e., that the company's common shares are now on a 10% basis. In that case, at 140, the issue offers a return of almost 7.15%, which is high by comparison.

Dominion Canners

In Dominion Canners preferred, students of Canadian values see a speculative investment opportunity of substantial merit. The issue is 7% cumulative, and at the present price of 80 offers a yield of almost 9%.

Dominion Canners produces 85% of the canned fruits and vegetables in Canada. Beside 60 factories owned in Ontario, Quebec and British Columbia, the company owns and controls several other manufacturing plants operating in auxiliary lines. An analysis of its depreciation policy indicates that the company has written off some two millions against plant in the period from 1910 to and including 1921, while in the same period its fixed assets (buildings, plants and machinery) have increased from 4.9 milions to 6.4 millions, and the number of its factories from 48 to 60. Since 1913, also, its bonded indebtedness shows a reduction from $1,956,000 to $1,320,000, or a reduction of about 28% in the mortgage liability ahead of the preferred shares.

While the apparent results for 1922 are not expected to show very large profits for last year, the corporation's financial position, on account of past conservatism, should be very encouraging. With good business activity in the current year, it is expected that Dominion Canners will be able to attain a substantial profit margin. While the official figures are pending, the preferred shares must be considered speculative; but the high yield now offered would encourage commitments for those willing to assume the comparatively slight risks involved.

WORTHINGTON PUMP & MACHINERY CORP.

(*Continued from page 709*)

yield is in excess of 8%. This price level in itself indicates that the earnings position of Worthington Pump is not regarded with easy confidence. In other words, the preferred stocks are selling at semi-speculative levels and undoubtedly are hesitating at these levels until something more definite develops regarding the ability of the company to protect dividends by an adequate margin. That is to say, Worthington achieved distinction as a big earner during the war period, but as a peace-time earner status is still questioned by the opinion of the securities markets.

After four years of big earnings, the common was put on a dividend basis of $6 in 1920, the rate being reduced to $4 in October, 1921, at which time dividends at this rate were declared for the whole of the ensuing year. At the expiration of this year, that is to say October 15, 1922, dividends were suspended. Early in 1922 the common shares, following the trend of the general market, rose to 55⅞. From that point they gradually declined

until they hit the low of 26⅞ in October following the suspension of dividends. They moved contrary to the general trend of the market and since making the low have shown an indifferent ability to recover, the advance since last November being about 8 points.

Market activity is limited and until it can be demonstrated that the company is able to show a sustained earning power on the junior shares, either class of preferred offers a better opportunity than the common from a speculative standpoint. If dividends on the preferred can be continued and earned, there is plenty of room for a substantial advance in those stocks.

SOME REMAINING BOND OPPORTUNITIES

(*Continued from page* 719)

but earnings and the securities pledged make the issue attractive at this level.

Some Unlisted Issues

The fact that bonds are unlisted does not detract from their merits in any way. Compared with listed issues there are equally good bonds traded in on the unlisted market. Sometimes it is possible to get better yields with equal degree of safety among the unlisted issues.

For those looking for investment bonds which return a yield of better than 6%, the following three suggestions are offered. They are not first mortgage issues but constitute issues of high-grade companies which are well managed. American Gas & Electric Co. 6% gold debenture bonds of 2014 at the current price of 98 show a yield of 6.15% and are well worth consideration for investment purposes. The company controls many public utility properties throughout this country. General Electric Co. and Electric Bond & Share Co. are interested in the organization which insures a high plane of management.

American Power & Light Series A debenture 6% debenture bonds of 2016 at the current price of around 93 show a yield of close to 6½%. It is also a holding company. Both this and the debenture bond mentioned in the foregoing paragraph could well be picked up on any recession in the bond market. Easier money conditions in the next few years would probably see both these issues at least selling at par.

Mississippi River Power debenture 7s of 1934 at current offering price of 101 show a yield of 6.90%. They are callable at 103. For the small investor's convenience, they may be obtained in coupon form in denominations of $100. The issue is comparatively small and probably will be called before maturity. In the meantime they offer a good yield and are attractive.

Conclusion

All the above recommendations are made with an eye to investment rather than speculative profit, although the latter feature is by no means missing in many of these bonds. These issues are especially attractive in consideration of their comparatively high yields and, for all practical purposes, large degree of security. The list was compiled only after the most careful investigation and is recommended for the consideration of conservative investors.

THE DOCTOR'S DILEMMA

(*Continued from page* 712)

to do—his results will be very materially increased.

Yes—my friend the doctor will be well cared for.

The Last Step

So it was that we programmed out the doctor's needs. Thereafter, it only remained to total up the cost, and then adjust his budget to conform with that cost.

It was found that his insurance schedule, plus his savings account, called for a total of $940 a year. In addition, the doctor was increasing his equity in the office building (by his amortization payments) at the rate of $450 a year. So that, including this item in his Savings & Insurance account, the total sum of this "first charge" upon his gross income amounted to $1,390.

As the doctor had earned $10,534 in the previous year, we took that as the measure of his income. Deducting the $1,390 from it, we had $9,144 left for running expenses. And this, after much deliberation, we apportioned as follows:

Carrying Charges on Office Bldg. (less Amortization Payments)	$1,744
Home Rental	1,800
Food	1,400
Clothing	700
Servant	900
Luxuries	500
Development	500
Prof. Exp., including Auto	1,600

With this done, we had our doctor's problem solved, his prescription filled out. We had provided for his own old age; we had provided for his dependents in case of his death; we had arranged his living expenses in such manner as would permit him to continue to maintain a comfortable, well-apportioned establishment at the same time that he maintained his new insurance and savings program. Thus, we had fulfilled the three chief purposes of a man's financial career.

The doctor thought well of the program. In fact, he adopted it in its entirety. For some time now he has been following it to the letter.

And perhaps I may record, with a little pardonable satisfaction, that since he instituted this program, my doctor friend has been a changed man. He is enjoying all the freedom from doubt and anxiety that a wise insurance program provides. He knows that he is safe, that his wife is safe and that his children are safe.

In fact, I am almost willing to assert that no tonic he has ever prescribed for another has produced half the relaxation, the mental relief, the buoyancy that this prescription of mine has produced for him.

AN INTERESTING BOOK

One of the most interesting works on finance we have examined in a long time is APPLIED BUSINESS FINANCE, by Edmond E. Lincoln, M.A. (Oxon.), Ph.D., formerly Assistant Professor of Finance Graduate School of Business Administration, Harvard University. The book is unique in its application of principles of finance to every-day business. A brief summary of its contents, including such interesting features as "The Average Industrial Concern—Its Normal Problems," "Shall the Enterprise Be Launched?", "Business Finance and the Stock Market," will indicate its rather unusual appeal. The style is simple and clear and the book is interestingly and fittingly illustrated. Publishers are A. W. Shaw, Chicago.

WHO ARE THE VAN SWERINGENS?

(Continued from page 696)

added a third road to their growing string, buying from the New York Central a road which was not of very great use to it. The Lake Erie & Western parallels for the most part other New York Central routes and its acquisition by that company in 1899 was very likely prompted by the desire to put it out of the way of harm. Its stock was recently purchased at a low figure, for the road had not been able to develop a heavy traffic as a part of the New York Central and earnings have proven very irregular.

Although the Lake Erie & Western may not in itself prove a very lucrative addition to the Nickle Plate it supplies several needs which more than justify its acquisition. It gives the Nickle Plate's main stem adequate feeders at its western end, through good territory in Indiana, and also gives it a line to Peoria, Illinois. The latter is very valuable as it permits interchange with western roads at that point, thus obviating the heavy terminal charges which the transfer of traffic at Chicago entails. On July 5, 1922, the Nickle Plate received permission from the Interstate Commerce Commission to operate the Lake Erie & Western as part of its system and since that date monthly operating results for the two have been combined.

The New Nickle Plate

Under an agreement made the 28th of December, 1922, these three roads which the Van Sweringens control are to be consolidated into a single corporation to be known as the New York, Chicago & St. Louis Railroad Co. The new company will comprise the old Nickle Plate, the Clover Leaf and the Lake Erie & Western. The stock of the new corporation will be exchanged for the securities of the old companies and there will be outstanding \$45,880,000 Cumulative Preferred Stock entitled to 6% dividends, and \$59,620,000 Common Stock.

This group of small roads now united forms a compact system, reaching many of the important traffic centers west of Buffalo; among which are Chicago,

Peoria, St. Louis, Fort Wayne, Indianapolis, Detroit, Toledo and Cleveland. Under the Interstate Commerce Commission's tentative plan of consolidation they were grouped together as the western part of a fifth trunk line, which was to be built up on the main stem of the Nickle Plate. The Van Sweringens in moulding these three roads into a single system are furthering the Commission's Plan. Supplementing and mutually strengthening one another as they do, their unified operation ought to work to their common advantage.

The Outlet to the Seaboard

Obviously if the Nickle Plate is to become a system comparable to any of the four existing trunk lines, namely the Pennsylvania, the New York Central, the Erie and the Baltimore & Ohio, it must of necessity possess an outlet to the Atlantic. Apparently for the purpose of acquiring such a connection the Van Sweringens have recently exercised an option to purchase the holdings of Henry E. Huntingdon and associates in the Chesapeake and Ohio which although not a majority of the latter company's stock, form a sufficient percentage to give them full control over the road's affairs. This is their most formidable undertaking in the railroad field, for whereas the three roads to be merged into the new Nickle Plate represent only 1,700 miles of road, the Chesapeake & Ohio, with its subsidiary, the Hocking Valley, totals about 2,900 miles. This illustrates the magnitude of the operation in comparison with their former deals.

Although the Chesapeake & Ohio furnishes an outlet to the Atlantic at New port News, it is not nearly as valuable to the Nickle Plate as a road from Buffalo to the seaboard would be. It is to Buffalo that the Nickle Plate takes most of its tonnage and it is at Buffalo that most of its westbound traffic is obtained from other carriers. The natural adjunct and eastern connection of the Nickle Plate would be either the Lehigh Valley or the Lackawanna. The Chesapeake & Ohio cannot conceivably work in combination with the Nickle Plate as either of these roads could.

It is not to be assumed however, that the acquisition of a large interest in the Chesapeake & Ohio is ill-advised. It does assure the Nickle Plate of adequate fuel, as the Chesapeake & Ohio is one of the largest coal carriers, but this is a rather large step to take for this one factor. It is probable however, that the Van Sweringens have some ultimate end in view which so far they have not seen fit to disclose. Later developments may give the matter a different aspect, and purely as an investment the Chesapeake & Ohio is likely to prove profitable.

Apparent it is that the Van Sweringens are making a very effective bid for a prominent place in the railroad world. Just what they will ultimately accomplish it is rather early to say, but in the light of what they have already done their purpose is to put together a system to serve the entire territory between the Atlantic seaboard on the East, and Chicago and St. Louis on the West. If this fifth trunk line is ever to seriously rival such giants as the Pennsylvania or New York Central, several deficiencies still remain to be made up. However, judging by the degree of success which has so far characterized their operations, even this possibility is not precluded.

IMPORTANT DIVIDEND ANNOUNCEMENTS

Ann. Rate		Am't Declared		Stock Record	Payable
$4	Amer Bk Note com.	$1.00	Q	2- 1	2-15
$3	Amer Metal com....	75c	Q	2-15	3- 1
$7	Amer Metal pfd.....	$1.75	Q	2-17	3- 1
—	Amer P S 1st pfd...	$1.75	—	3-10	3-31
—	Amer P S 2nd pfd...	50c	—	6- 9	6-30
8%	Amer Shipbldg com.	2%	Q	4-14	5- 1
6%	Amer Soda Ftn.....	1½%	Q	1-31	2-15
12%	Amer Tobacco com.	3%	Q	2-10	3- 1
12%	Amer Tob com B...	3%	Q	2-10	3- 1
5%	Beth Stl com A.....	1¼%	Q	3-13	4- 2
5%	Beth Stl com B.....	1¼%	Q	3-13	4- 2
7%	Beth Stl pfd.........	1¾%	Q	3-13	4- 2
8%	Beth Stl 8% pfd.....	2%	Q	3-13	4- 2
$8	Brooklyn Edison....	$2.00	Q	2-15	3- 1
7%	Brunsw'k B Col com	1¾%	Q	2- 4	2-15
$4	Buf Roch & P com..	$2.00	SA	2-10	2-15
$6	Buf Roch & P pfd..	$3.00	SA	2-10	2-15
$8	Burns Bros com A..	$2.00	Q	2- 1	2-15
—	Burns Bros com A..	50c	Ext	2- 1	2-15
$2	Burns Bros com B..	50c	Q	2- 1	2-15
$2	Butte Cop & Zinc...	50c	—	2-15	3- 1
$7	Calif Pet com......	$1.75	Q	2-20	3- 1
7%	Calif Pet pfd......	1¾%	Q	...	...
$8	Cen R R of N J....	$2.00	Q	2- 7	2-15
$6	Col Gas & Elec....	$1.50	Q	1-31	2-15
$7	Cons Cigar pfd.....	$1.75	Q	2-20	3- 1
$5	Cons Gas new com.	$1.25	Ini	2- 8	3-15
$6	Cont P & Bag com.	$1.50	Q	2- 8	2-15
$6	Cont P & Bag pfd.	$1.50	Q	2- 8	2-15
$3	Deere & Co pfd....	75c	Q	2-15	3- 1
9%	Del & Hudson.....	2¼%	Q	2-26	3-20
8%	Diamond Match.....	2%	Q	2-28	3-15
5%	Gen Asphalt pfd....	1¼%	Q	2-14	3- 1
—	Ga Ry & Pr com..	1%	—	3-31	...
8%	Ga Ry & P 1st pfd	2%	Q	4-20	...
1%	Ga Ry & P 2nd pfd	1%	—	3- 1	...
$7	Goodrich B F pfd..	1¾%	Q	3-22	4- 2
6%	Hart, Schaf & M c.	1½%	Q	2-19	2-28
12%	Humphreys Oil.....	3%	Q	2-28	3-15
$1	Inland Steel.........	25c	Q	2-10	3- 1
8%	Iron Products pfd..	2%	Q	2- 1	2-15
—	Isle Royal Copper..	50c	—	1-25	3-15
8%	Kelly Spngfield pfd..	2%	—	2- 1	2-15
$8	Kresge S S com.....	$2.00	Q	3-12	4- 2
—	Kresge S S c (stk).	33⅓%	—	2-15	3- 1
7%	Kresge S S pfd.....	1¾%	Q	3-12	4- 2
$4	Lima Loco com....	$1.00	Q	2-15	3- 1
7%	Lima Loco pfd.....	1¾%	Q	2-15	3- 1
$6	Natl Enam & S com	1½%	Q	2- 8	2-28
$7	Natl Cloak & S pfd.	1¾%	Q	2-23	3- 1
7%	Natl Lead pfd......	1¾%	Q	2-25	3-15
$7	Norfolk & W com..	$1.75	Q	2-28	3-19
$3	Ohio Oil...........	75c	Q	2-24	3-31
—	Ohio Fuel Sup (stk)	100%	—	...	...
7%	Ont Steel Pdts pfd..	1¾%	Q	1-31	2-15
$2	Owens Bottle com..	50c	Q	3-16	4- 1
—	Owens Bottle com..	25c	Ext	3-16	4- 1
$7	Owens Bottle pfd..	$1.75	Q	3-16	4- 1
$6	Pacific G & E 1st pfd	$1.50	Q	1-31	2-15
$6	Pacific G & E pr pfd	$1.50	Q	1-31	2-15
6%	Penn R R..........	1½%	Q	2- 1	2-28
—	Penn Coal & C (stk)	40%	Q	2- 3	2-10
8%	Penn Coal & C com	2%	Q	2- 3	2-10
$5	Phila Co pfd........	$1.25	Q	2-10	3- 1
$7	Rep Iron & Stl pfd.	1¾%	Q	3-15	4- 2
7%	Reynolds Spg pfd A	1¾%	Q	3-16	4- 1
7%	Reynolds Spg pfd B	1¾%	Q	3-16	4- 1
$1	St Joseph Lead.....	25c	Q	3- 9	3-20
—	St Joseph Lead.....	25c	Ext	3- 9	3-20
—	Southern Pipe Line..	$4.00	—	2-15	3- 1
$6	Stand Milling pfd...	$1.50	Q	2-17	2-28
$5	Stand Milling com..	$1.25	Q	2-17	2-28
—	Stand Oil of Cal...	50c	—	2-20	3-15
—	Stand Oil of N Y...	35c	—	2-23	3-15
$7	Stand Oil of O pfd.	$1.75	Q	1-26	3- 1
$10	Studebaker com.....	$2.50	Q	2-10	3- 1
$7	Studebaker pfd......	$1.75	Q	2-10	3- 1
$10	Tampa Electric.....	$2.50	Q	2- 1	2-15
7%	Timken Det Ax pfd.	1¾%	Q	2-19	3- 1
$5	Union Tank Car com	$1.25	Q	2- 5	3- 1
$7	Union Tank Car pfd	$1.75	Q	2- 5	3- 1
8%	United Cigar St com	2%	Q	2-15	3- 1
7%	United Gas Imp pfd	1¾%	Q	2-28	3-15
5%	U S Cast I Pipe pfd.	1¼%	Q	3- 1	3-15
—	U S Lumber (stk)..	100%	—	2- 1	3- 1
6%	U S Realty & Imp..	1½%	Q	3- 8	3-15
$5	U S Steel com......	$1.25	Q	2-27	3-30
$7	U S Steel pfd.......	$1.75	Q	2- 3	2-27
—	U S Tob com (stk).	20%	—	3-19	4-10
7%	Van Raalte pfd.....	1¾%	Q	2-15	3- 1
—	Vivaudou common...	50c	—	2-19	3- 2
$7	W'ton P & M pfd A	$1.75	Q	3-10	4- 2
$6	W'ton P & M pfd B	$1.50	Q	3-10	4- 2

ARE MUNICIPAL BONDS GOOD INVESTMENTS?

(*Continued from page* 716)

led into such traps, the pitfalls for the unskilled must be great.

How Bankers Regard Municipals

The foregoing should not be construed as a reflection upon the investment merits of municipal bonds *as a class*. As has been said, they rank, as a class, among the highest forms of investment available in our security markets.

In this connection one is reminded of the facts brought out at the time of the death, two years ago, of one of the greatest philanthropists this country has produced. This philanthropist, a man of great wealth, was a partner in a large international banking house. Facts brought out under analysis of his investment holdings disclosed that he was a very heavy holder of the bonds of the municipality in which his firm did business; and further inquiry along this line disclosed that one of the agreements included in the partnership called for the investment of a large proportion of the bank's surplus in these same municipal bonds. In other words, this well-known international banking house considered the bonds of its municipality the highest form of investment available for its surplus—a reputation, incidentally, which history proves their title to.

Effect of Tax Exemption Repeal

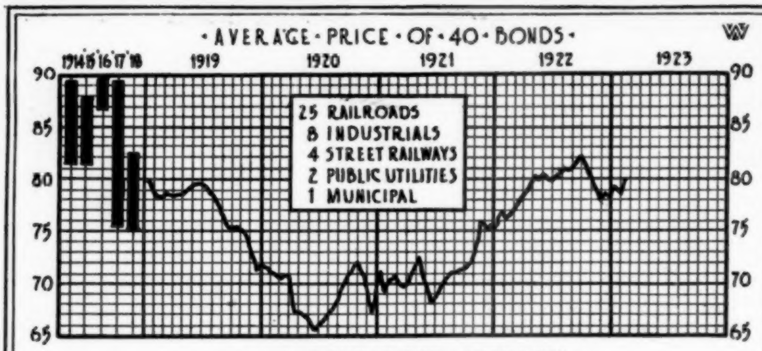
A development of great interest in the municipal bond field just now is the movement toward repeal of tax exemption as applied to such securities. (Most income-builders realize that municipal bonds enjoy tax exemption, and that this feature has added to the demand for them).

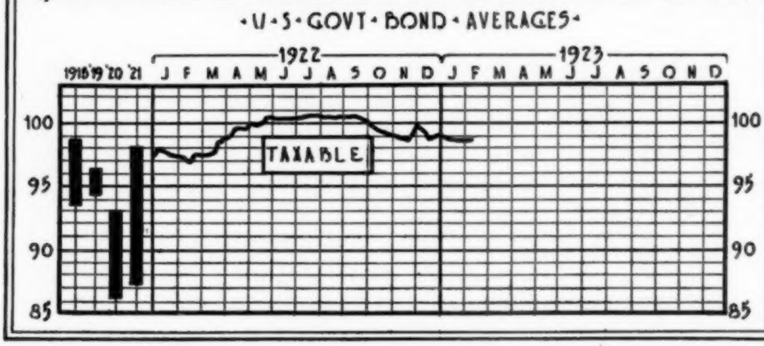
It is generally agreed that, should tax exemption be repealed, the amendment could not be made retroactive. In other words, while exemption might be repealed in respect of issues sold after the legislation had been enacted, the municipal bonds outstanding up to that time (some 24 billions today, I believe) could not be brought under the amendment and made taxable. In this event, obviously, the existing municipal issues would be the beneficiaries of an even more special dispensation than today, and in all likelihood would be in very great demand.

How Experts View Prices

In closing, it may be of interest to note how municipal bonds experts feel about the price-trend in this market today. One dealer of established reputation—and, incidentally, a good friend of ours—makes a particularly interesting point: Before the income tax law was introduced, he points out, municipals sold on a basis to yield some 3.50%, while railroad bonds legal for investment by savings institutions sold on an average 4.50% basis. In other words, there was a disparity of about one point between the yield returns on these two classes. Today, however, our friend

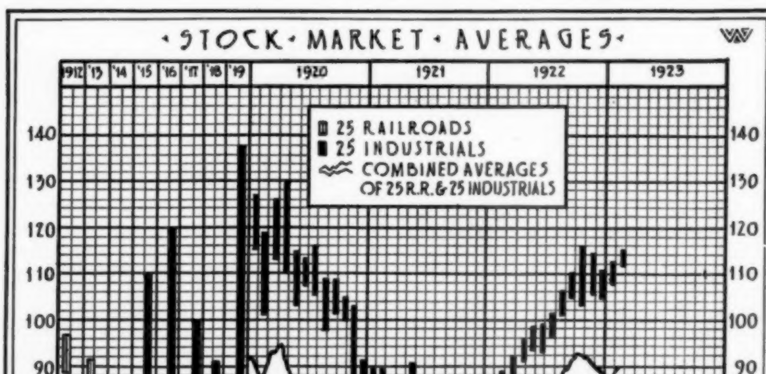
(*Please turn to page* 759)





MARKET STATISTICS

	N.Y.Times 40 Bonds	Dow, Jones Avgs. 20 Indus.	Dow, Jones Avgs. 20 Rails	N.Y.Times 50 Stocks High	N.Y.Times 50 Stocks Low	Sales
Monday, January 29	86.27	98.26	87.20	87.19	86.27	759,910
Tuesday, January 30	86.38	97.75	86.58	87.40	86.38	773,425
Wednesday, January 31	85.99	97.43	86.26	86.82	85.99	739,935
Thursday, February 1	85.92	97.76	86.08	86.59	85.92	623,516
Friday, February 2	86.54	98.70	86.63	87.34	86.54	757,145
Saturday, February 3	87.30	99.33	87.34	88.01	87.30	608,500
Monday, February 5	87.49	100.03	88.08	88.92	87.49	977,321
Tuesday, February 6	88.81	101.01	88.93	89.87	88.81	1,369,780
Wednesday, February 7	89.01	101.05	88.80	90.03	89.01	1,209,117
Thursday, February 8	88.98	101.05	88.91	90.19	88.98	1,185,400
Friday, February 9	89.11	100.82	88.17	98.08	89.11	1,170,159



(*Continued from page 757*)

points out, "legal rails" are selling on about a 4.85% basis, and municipals on a 4.25% basis. Or, the disparity between the two has narrowed down to a little more than half a point. It is held that, with the same good security behind them as before (the taxation qualifications of the municipalities) and the additional advantage of tax exemption the disparity, rather than narrowing, should have been increased. In any event, were municipals to bear the same relation to rails today as they did before the Income Tax, and if the rails are worth the price they are now selling for, then municipals should be selling on a 3.75% basis, instead of a 4.25% basis—or considerably higher.

IS LABOR TURNING CAPITALIST?

(*Continued from page 689*)

hood's purchase of a large interest in the Empire Trust Co. are considered, one gets the impression that labor-banking, instead of being a new form of battle-tactics on the part of Labor organization, is more truly a move toward co-operation between the two classes, if not, indeed, a joining of hands which may make the interests of Labor and the interests of Capital one.

When Warren Sanford Stone, representing the Brotherhood of Locomotive Engineers, purchased part-interest in the Empire Trust, he *joined forces* with one of the oldest trust companies in New York and, directly, with some of the most prominent capitalists in the country. He did not get control of the Trust Company. If President Baldwin is to be believed, the new interests are not to change the institution's policy. He simply teamed up. And he teamed up with a group which, according to previously accepted standards (however fallacious), has interests as unlike his interests as day is unlike night.

The Empire Trust, if you please, is one of the oldest institutions of its kind in this city. It was formed twenty-one years ago. It is one of the most important institutions of its kind. It has resources of over sixty millions of dollars. The president of the institution, Leroy W. Baldwin, was an "outsider" once, in the sense that he came to this city and "unconnected unknown"; but he speedily demonstrated his claim to recognition and has long been, I believe, the largest stockholder. Certainly he is a representative of the so-called Capitalistic class. Associated with Mr. Baldwin in the directorate of the Empire Trust is a group of men whose names read like an abbreviated registry of our leading capitalists: T. Coleman du Pont, of what comes close to being the wealthiest family in the United States; Charles M. Schwab, steel magnate, for all his humanness and democracy; August Heckscher, with wide-flung interests in zinc, coal and steel and real estate; Minor C. Keith, who has extensive interests in South America.

If, as President Baldwin has stated, no changes are to ensue in the Empire directorate, beyond admitting Messrs. Stone and Prenter to the board; if, as he has

also stated, the policies of the institution are to remain the same; if these things are true, and remain true, then there is only one interpretation of the Empire Trust deal: That is that Warren Stone, one or the most astute labor leaders in the country, and Charles M. Schwab, one of the most astute capitalists, have discovered common interests and a way to work together to the mutual benefit of the organizations they represent; that Labor and Capital *can* get together; that the age-old antagonisms between the two classes can be disposed of.

SHOULD MUNICIPAL BONDS BE TAXED?

(*Continued from page 693*)

sale of tax-exempt securities," declared Mr. Kelsey, "would seem to be withdrawn from circulation entirely, if the effects of tax-exemption were actually what the critics of exemption claim. Of course, that is a completely erroneous conclusion. Government funds so raised go into the erection of public buildings, the construction of public highways. The money so expended does not reach some invisible barrier, and halt there before reaching the people. It pays bills and goes into circulation just as the proceeds of a corporation bond issue go into circulation, with the difference that the Government's funds are not employed as profitably as the corporations's.

"In further connection with this view that exemption is 'drying up the sources of revenue for legitimate industry,' some very striking and pointed figures may be cited to prove the fallacy. Look here—" Mr. Kelsey pointed to the following paragraph in the Committee Report:

> "It may be that the very rich buyer of the tax-exempt bonds withdraws from business, but his money is not withdrawn. At any rate, the figures show that *something* is greatly increasing the number of people who pay income taxes. In 1917 that number was reported at 3.4 millions, and in 1920 at 7.2 millions, and the total income increased from 13.5 billions to 23.7 billions! It does not look, therefore, as if the increase in the number of tax-exempt bonds was impairing the productivity or prosperity of the country, or drying up the sources of revenue."

At this point in Mr. Kelsey's remarks, the thought occurred to the writer that no report presented by the Committee on Taxation of the New York Chamber of Commerce would be likely to be prejudicial to the best interests of "legitimate industry." A glance, merely, at the affiliations of the members of the Tax Committee is enough to establish that fact. Thus, Mr. Kelsey is a director in Corn Products Refining, Thompson Starrett and others; Mr. William C. Demorest is director in Royal Baking Powder, Famous Players-Lasky, and others; Mr. Donald G. Geddes is a director in Consolidated Gas, Houston Oil, Mercantile Marine and others; and Mr. William P. Philips is director in Columbia Gas & Electric, Cuba Cane Sugar, Pere Marquette, Pierce Arrow, and others. It requires a very considerable stretch of the imagination to conceive of these men supporting a policy hurtful to the American industrial plant.

"But what about the theory that tax-exemption encourages municipal extravagance?" I asked. "What about the contention that the banking interests, with the enormous market existing in tax-exempts, are egging the municipalities on to profligate extravagance to provide more bond issues for the bankers to sell?"

"Would bonds yielding one per cent higher, as they apparently would without exemption, be any more difficult to sell?" demanded the Chairman of the Title Guarantee. "Do our existing tax rates indicate that municipal extravagance would be checked by any such simple measure as repeal of tax-exemption? Have you noticed any pronounced tendency toward conservatism in average municipal government out of regard for the tax-paying resources of the public? In such municipalities as are being wastefully developed by thoughtless political groups, would an increase in the cost of money, merely leading to an increase in necessary collections from the people act as a restraining influence? Obviously not.

"It is the debt limit and the integrity and probity of our public officials and the restraints put on them by the taxpayers to which we must look for a curb on extravagance and waste. Where, by legal subterfuge or what may amount to sharp practice, the just and wise limits are now being exceeded, nothing in the repeal of tax-exemption would rectify the situation or supply its remedy. You would have to go far deeper than that."

TRADE TENDENCIES

(*Continued from page 732*)

demand moving in routine manner. Waxes are in great demand for the export trade.

Profit margins are believed to be increasing, as the improvement in retail prices of refined products has more than counterbalanced recent advances in the price of crude, and à fortiori the increases in production costs.

METALS

Domestic Demand Grows

Copper has been holding well around the newly-established high level of 15 cents, some business being transacted at even better figures. Domestic demand is very heavy, particularly in brass products, automotive supplies and building requirements. Some export trade is being done with France and England, but Germany, once the mainstay of the foreign market, has practically withdrawn since the Ruhr invasion. When things quiet down in Europe, however, a great revival of the export trade is expected in view of the huge plans for electrification of railroads and development of water-power in France, Germany and Italy which have been held up for the past year or two.

The activity of consumption is indicated by the fact that with production going up in nearly all American mines and an increasing influx of copper from South

America, stocks have been reduced to nearly their lowest point since the armistice, while prices have persistently moved upward. Should the increase in production continue, however, it is more than doubtful if current prices can be maintained, as they allow very fair profit margins to a number of low-cost producers who can increase their output to the point where it will satisfy demand at the current rate.

Another indication of the strength of the market at the present time is the lack of forward business, due to the unwillingness of producers to commit themselves to future deliveries based on the existing price level. Most of the buying therefore is of a hand-to-mouth character, particularly as the larger copper consumers are not believed to be carrying heavy stocks of the metal.

The lead market has been marked by scarcity of supplies, in the hands of both producers and consumers, and by accelerated demand in the last few weeks. Prices have been firm with an advancing tendency, but actual posted prices have shown but a few points of increase. Further advances are expected by the trade.

Stocks of zinc are also unusually light, but demand for the time being is somewhat quiet, both in the home and the foreign trades. Prices appear to be stable at prevailing levels, with a strong undertone and little forward business done.

SUGAR

Pronounced Upward Trend

Recent advances in refined sugar prices by several leading interests indicate that in their opinion the advances of the last few weeks in raw sugars have been more than a flash in the pan. Buyers seem to have concurred in this judgment, as they have kept on buying at the higher price level, and are taking up future contracts with avidity. The upward trend is still quite pronounced, though raws have shown some hesitancy at the 4-cent line.

European buying is a factor of the greatest importance, probably the larger portion of the sales consummated in recent sessions of the sugar market being ultimately intended for foreign delivery. Prospects of poor sucrose content in this season's best crops and smaller harvests are understood to be responsible for much of the buying.

Refiners are believed to have light stocks of raws on hand, and in the face of an increasing domestic demand have been compelled to enter the market to cover their prospective requirements. They themselves have encouraged this buying movement by making especially attractive terms and conditions of sale, whose general effect is to lighten the burden of risk assumed by the buyer of refined sugars.

Cuba's improved methods of marketing are also an important underlying factor, whose significance has been best appreciated since the market began going up. Under the older system of disorganized selling a good deal of raw sugar would immediately have entered the market and

depressed prices again. At the present time, when only a few sellers control the market, sales are made practically only to the extent needed to finance the sugar-growing and grinding organizations, without dumping quantities on the market. Large stocks of raw are believed to be held in Cuba, awaiting more favorable opportunities of sale.

RUBBER

Significant Developments

Rubber prices for the past few days appear to have steadied around 35 cents, and proposals are being seriously entertained to stabilize the commodity at that figure. It is believed that the negotiations now going on between representatives of American rubber consumers and British producers are directed toward some such end. There is still considerable objection on the American side, however, to accepting as definitive the current price level, in view of the great advance since the low price around 13 cents last year, while on the other hand some British producers do not appear satisfied as yet.

Dissatisfaction in some quarters in the United States has risen to such a point that there is a movement to encourage the planting of rubber in the Philippines, with the aid of the government at first, if possible. On the other hand it is pointed out that because of the restrictions on cheap Oriental labor which prevail in the Philippines, as long as they are under American jurisdiction, production costs can never be made so low as to compete with the existing plantations, so that American manufacturers would gain nothing in the way of cheaper rubber.

Stocks at London have been increasing until they are almost at a record high point, in spite of the rubber consuming activity in the United States. To a large extent this is because American consumers have preferred to deal with Oriental markets direct, instead of through London. Recently the trend has been reversed, more rubber leaving London than has come to it from the East, so that the outlook is that the huge stocks now on hand will be cut down soon.

TEXTILES

Export Situation

In spite of the pressure exerted on the market by unfavorable political developments in Europe, cotton has shown sufficient intrinsic strength to come through the past few weeks with a net gain of a few points. Domestic trade demand has leaped into the breach left by the weakening of much of the European demand, while the principal foreign consumer, England, has been showing considerable recuperative power lately, as shown by the increasing activity in British textile mills. Japan is also turning out a good customer.

An important factor in the situation has been the improvement in the exports of cotton cloth, both in this country and in Great Britain, leading to increased trade buying of the raw material. It is worth noticing that a good part of the cloth in this trade is made in Southern mills, which have been increasing their output considerably in the last two years.

Preliminary reviews of the situation for the next crop in the South by trade interests show an expected decline in acreage for the South as a whole, a shortage of farm labor and boll weevil poison, a decline in the use of fertilizer, and a decline in the number of mules available on farms. All these factors are taken to indicate a further decline in cotton production in the South, which is the basis of a demand for 42-cent cotton by Southern cotton planters. They claim that they cannot raise cotton profitably for less, and are apparently about to make this the basis of a campaign for reduced acreage and restriction of production.

ANSWERS TO INQUIRIES

(*Continued from page 737*)

NORTH AMERICAN "RIGHTS"

Would Not Purchase Now

Please let me have particulars of the North American "Rights" traded in on the New York Stock Exchange and whether you consider them a good buy.—I. G. G., Scranton, Pa.

Common stockholders of North American Company of record December 15th, 1921, had the right to subscribe at par $50 for new common stock up to 70% of their holdings as follows:

15% on or before January 3rd, 1922;
20% on or before December 30th, 1922;
20% on or before June 30th, 1923;
15% on or before December 31st, 1923.

Shareholders who subscribed for a portion of one instalment have an option on an equivalent proportion of the succeeding one. Payments in full are due on the above expiration dates. We do not advise the purchase of these rights at the present time as we feel that North American stock by its big advance has rather fully discounted the favorable factors in the situation.

PARISH & BINGHAM

Weak Financial Condition

In view of the activity in the automobile industry I have been considering the purchase of Parish & Bingham stock selling around 12 as it would seem that this company should benefit. What is your opinion?—V. F. L., Lewiston, Me.

Parish & Bingham capitalization consists of 150,000 shares of no par value. Earnings of 1922 are not yet available. In 1921 the company reported a deficit of $356,080; in 1920, a deficit of $357,589. As a result of these losses the company's financial condition has been weakened and as of December 31st, 1921, current liabilities exceeded current assets by $171,433 and the company had notes payable of something over a million. The principal business of the corporation is the manufacture of automobile frames and other parts of automobiles, including brake

drums, running-boards and step-hangers.

It was recently reported that negotiations are under way for the merging of this company with the Detroit Pressed Steel Company and the Hydraulic Steel Company but there is nothing official in regard to this. In view of the poor financial condition of the company and its earning record as reported to date, we consider the stock highly speculative and are not inclined to favor it.

KELLY-SPRINGFIELD

Higher Levels Likely

I hold 25 shares of Kelly-Springfield stock purchased at about double the present market price. What is your advice on this stock?—J. S. W., Cleveland, O.

Estimates are to the effect that Kelly-Springfield earned around $4 a share in 1922 and, as the outlook for the tire companies is improved, we consider that the stock has good possibilities for an advance from present levels. As you paid such a high price for the stock it might be well to purchase a little more at present levels in order to bring down your average.

HAS $8,000 TO INVEST IN STOCKS

A Few Suggestions

About the middle of October I followed your advice in regard to my stock holdings and sold out the entire list. It appears to me that the market has been acting very well recently and I would appreciate your opinion as to the desirability of buying at this time. I have $8,000 available.—W. G. G., San Antonio, Tex.

The recent action of the stock market indicates that the trend is now upward and we believe it is all right to purchase a selected list of securities at this time. We believe it would be a good idea to put half your funds into good common stock and half into preferred issues and are pleased to suggest the following list:

	Dividend	Price
Common Stocks:		
American Woolen	7	97
Associate Drygoods	4	70
White Eagle Oil	2	28
Martin Parry	2	28
Preferred Stocks:		
Coca-Cola	7	94
American Water Works & Electric, 1st Pfd.	7	91
Julius Kayser $8		102
Brown Shoe	7	98

INTERNATIONAL MERCANTILE MARINE

Immediate Outlook Not Encouraging

Please let me have your opinion of International Mercantile Marine preferred. Will the ship-subsidy bill benefit?—H. K., St. Louis, Mo.

The ship-subsidy bill is not likely to be of any important benefit to International Mercantile Marine as most of its ships, at least those making the best profits, are under the British Flag. The company's earnings were poor in 1922 and the outlook is not favorable for this year. The immediate prospects, therefore, for the stock is not highly encouraging. On the other hand, the company is in very strong financial condition and, should the emigration law be changed allowing a greater flow of emigrants into this country, earnings might pick up considerably. We should say, therefore, the preferred stock is not without long-pull possibilities but hardly look for it to do much on the upside at this time.

THAT HIGHER RETURN

Generally Means Greater Risk

I have been considering selling American Telephone stock which I hold and buying instead Pan-American Petroleum which pays 8% as this would increase considerably the income from my investment. Before doing so, however, I decided to get your view of the matter.—H. B. F., Manchester, N. H.

American Telephone stock is rated as a good business man's investment. Pan American Petroleum stock, on the other hand, must be considered as highly speculative, so that by making the switch you would undoubtedly be assuming a greater degree of risk. It is true that you would be getting a larger return on your money but the bigger question is, will the company be able to maintain its dividend indefinitely. Earnings of Pan American at the present time are decidedly satisfactory, but the point to consider in this connection is that its earnings come largely from the production of oil in Mexico which is a very uncertain proposition. Such large companies as Royal Dutch and Standard Oil have had to take very

big losses in Mexico. So far Mexican Petroleum has been successful, but one never knows when salt water will strike in further at their properties and cause a drop in production. We do not favor the switch.

AIR REDUCTION
Earning Its Dividend

A few years ago I bought 50 shares of Air Reduction stock at a higher price than it is now selling for and would like your advise whether I should continue to hold it or switch into something else. What are the latest earnings?—S. M. K., Albany, N. Y.

Air Reduction for the nine months ending September 30th, 1922, earned $3.94 per share on the stock as against the present dividend rate of $4. While we feel that the stock is not without possibilities of doing better, we consider Westinghouse Electric paying $4 a share and selling at 62 a better holding as earnings of this company in 1922 are estimated at around $8 a share and the outlook is very favorable this year.

INTIMATE TALKS WITH READERS
Why Not Try Bonds?

DUE to the interesting specvestment operations which have netted a certain New York physician a comfortable annual *income* and frequent profits, showing a combined increase averaging $5,000 annually to a practice netting from $20,000 to $25,000 annually, we think it worth while to draw attention to this attractive method.

While the doctor calls it "investing" and believes he is investing, he is fully aware of the modicum of risk involved, as his favorites consist mostly of second grade, third grade, and even speculative railroad bonds, sometimes an industrial bond or two, and very often a sprinkling of bargain preferred stocks—when they are to be had cheap. These exceptions in preferred stocks consisted, for example, of a subscription to the N. Y. Telephone issue at 100 (only partly allotted), and purchases of the same in the open market at 105. He has just taken his profits in the latter, by the way, at 110. This proves that he is not an investor!

The big feature of his plan is his personal good standing with his bank, backed by his reputation and professional income, and *an original personal investment of about* $5,000—which has grown, of course, to very substantial proportions. The growth of this capital on banking credit is an interesting study in personal financing alone, constituting as it does, a modified pyramid: solid, however, somewhat along the lines mentioned in the Livermore story in the last issue of The Magazine.

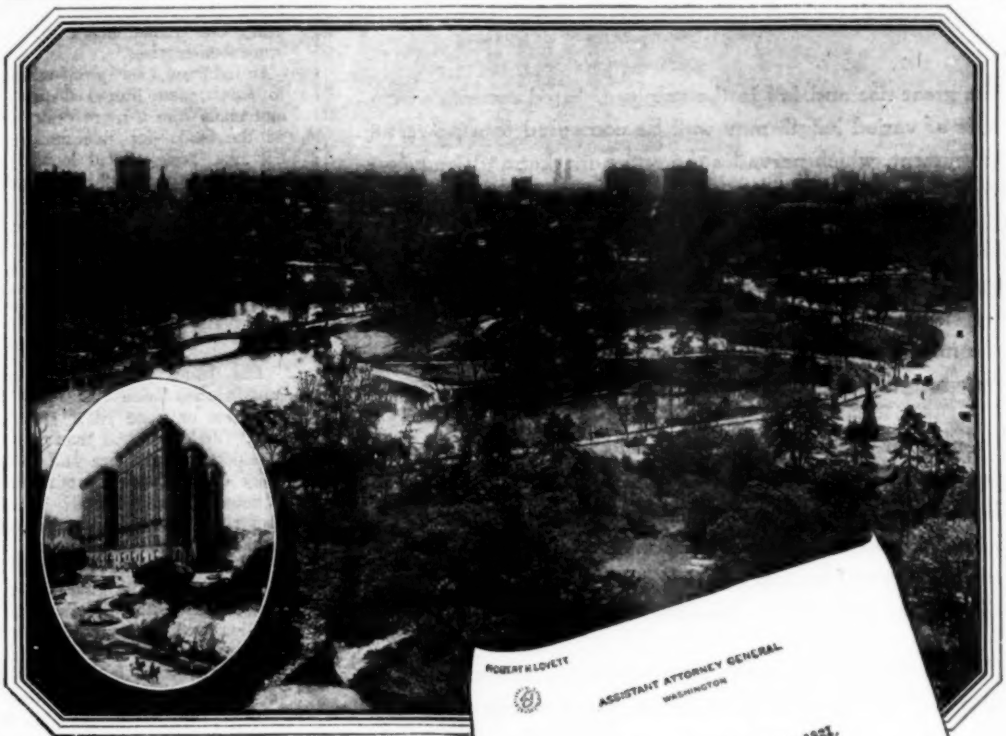
The banks, if the lend at all, will go as far as 80 and even 90 per cent on good bonds or gilt edge preferred stock (like N. Y. Telephone preferred). Therefore, with $5,000 put up, and $4,000 borrowed, the capital becomes $9,000. Putting it another way. The doctor put up $5,000 and "drew down" from the bank $4,000—which latter practically represented new capital with which to operate: leaving but $1,000 of his own invested. The $4,000 in-

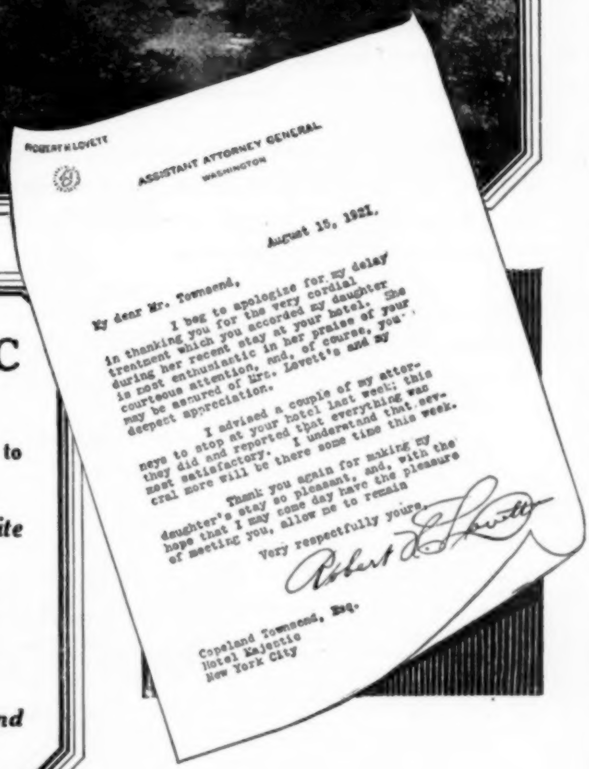
(*Please turn to page* 766)

Panorama of Central Park and Upper Fifth Avenue
viewed from

HOTEL MAJESTIC

CENTRAL PARK WEST AT 72nd ST — NEW YORK CITY





ROBERT H LOVETT

ASSISTANT ATTORNEY GENERAL
WASHINGTON

August 15, 1921.

My dear Mr. Townsend,

I beg to apologize for my delay in thanking you for the very cordial treatment which you accorded my daughter during her recent stay at your hotel. She is most enthusiastic in her praise of your courteous attention, and, of course, you may be assured of Mrs. Lovett's and my deepest appreciation.

I advised a couple of my attorneys to stop at your hotel last week; this they did and reported that everything was most satisfactory. I understand that several more will be there some time this week.

Thank you again for making my daughter's stay so pleasant, and, with the hope that I may some day have the pleasure of meeting you, allow me to remain

Very respectfully yours,

Robert H. Lovett

Copeland Townsend, Esq.
Hotel Majestic
New York City

HOTEL MAJESTIC
New York

at the West 72nd Street Motor Entrance to Central Park

Transient Residential Cosmopolite

Towering above one of the most beautiful garden spots of the world—Central Park—Hotel Majestic is convenient to theatre and shop and just beyond the din of traffic.

The refined atmosphere attracts and holds guests of distinction.

Copeland Townsend

Wire for Reservations

(*Continued from page 764*)

vested in new bonds was in turn put up for another loan of over $3,000. Against the $7,000 borrowed was $12,000 in bonds. The last $3,000 was used "to margin" sound bonds and preferred stocks of a semi-investment character with a strong security house, to the extent of 33%.

It must be remembered that all along, the doctor has his personal professional income to back him up if need be: and his only liability or anxiety the risk of "taking up" in an emergency (a panic for example) between $15,000 to $20,000 in bonds and sound stocks: all marketable, every one quoted daily, all in nationally known enterprises.

In addition, his profit-taking habit as to *points* gave him a distinct advantage, and made him a more desirable customer of the bank—for this reason: banks do not like "long-winded loans." They like an "active account" with the customer paying off and renewing short-term obligations (60 to 90 days) all the time. The bank noticed that the doctor knew what he was about: and that also is an important factor in establishing and holding credit with the banking fraternity.

The Kind of Bonds?

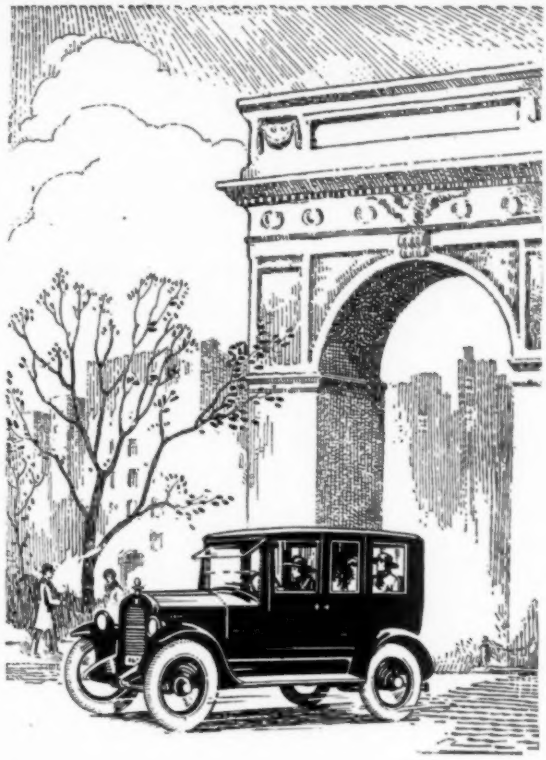
The bonds handled by this operator have always been of a "fair" character, and few or none of a strictly gilt-edge type. Yields of less than 7% were never considered: and there *had* to be a possibility of a 10-point profit within a year at most. Hard to find? True: but the doctor has been finding them, and is finding them at this moment.

He bought some St. Paul issues the other day, the 1925 maturities, with full knowledge of this road's relatively weak position, and the doubt as to whether this $50,000,000 indebtedness—both here and in Europe (there is an European Loan 4 also outstanding) will be met. But he figured, the writer believes justly, that 1925 is a long way off in railroad history, there are big blocks of preferred and common stocks of the company, and an army of stockholders to take care of contingencies, also the possibility that 1923-1924-1925 will be no worse so far as earnings are concerned—and that the road's credit would not be any worse in 1925. Fairly sound reasoning: and buying based on an exact appraisal of all the dangers assumed to be presnt when bonds already sell at receivership prices!

His Likes and Dislikes

Some of his other favorites are the junior bonds of the 'Frisco, Cotton Belt, Rock Island, and B. & O. He dislikes the Eries, for some reason or other (he travels over the Erie sometimes), is not enthusiastic about the "bargains" in Seaboard Airline: and if he is partial to a price at all, his usual range is 55 to 70, figuring that it's a long way from 70 to 100—which is also a useful piece of philosophy. Quite recently, he threw overboard a number of bonds (all at a profit) merely because they sold at a premium above par: and he has reinvested in the semi-investment group of bonds a few days ago. It remains to be seen how he will fare in 1923.

He has not lost out yet!



1923